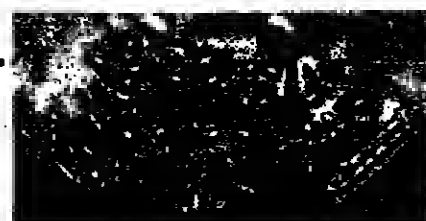


# Weekend FINANCIAL TIMES

Weekend FT  
Oiling an island  
economy



Head to head with the  
world's fastest man



Food for a  
Quebec winter



SECTION II

World Business Newspaper

WEEKEND DECEMBER 9/DECEMBER 10 1995

ALSO INSIDE TODAY'S  
Weekend FT



If you hate skiing...

- The battle for Japan's lost islands
- It takes two weeks to shoot a wolf

## Top companies in Japan 'expect further recovery'

Japan's leading companies feel slightly more confident about business conditions than they did three months ago and expect further recovery in the short term, the Bank of Japan has announced. But Tokyo economists said the results, in line with the market's expectations, show that the first signs of recovery, helped by a ¥14,220bn (\$142bn) fiscal stimulus package in September, are too weak to tempt the central bank to raise its record low interest rates. Page 22; Minister raises telecom deregulation hopes, Page 3

**US jobs figures raise chance of rate cut:** Speculation that the Federal Reserve will cut interest rates this month mounted following the release of lacklustre jobs figures. Page 3

**London stocks continue to fall:** The FT-SE 100 - hit by profit warnings, nervousness in the US and a fluctuating international bonds market - ended another volatile session 9.5 points lower at 3,630, its fifth successive fall. The index lost 50.4 points, or 1.3 per cent, over the week as activity on Wall Street continued to unsettle markets in London and throughout the rest of Europe. Page 19; World Stocks, Page 17

**FT-SE 100**  
Hourly movements:  
3,630  
3,600  
3,580  
3,560  
3,540  
3,520  
3,500  
3,480  
3,460  
3,440  
3,420  
3,400  
3,380  
3,360  
3,340  
3,320  
3,300  
3,280  
3,260  
3,240  
3,220  
3,200  
3,180  
3,160  
3,140  
3,120  
3,100  
3,080  
3,060  
3,040  
3,020  
3,000  
2,980  
2,960  
2,940  
2,920  
2,900  
2,880  
2,860  
2,840  
2,820  
2,800  
2,780  
2,760  
2,740  
2,720  
2,700  
2,680  
2,660  
2,640  
2,620  
2,600  
2,580  
2,560  
2,540  
2,520  
2,500  
2,480  
2,460  
2,440  
2,420  
2,400  
2,380  
2,360  
2,340  
2,320  
2,300  
2,280  
2,260  
2,240  
2,220  
2,200  
2,180  
2,160  
2,140  
2,120  
2,100  
2,080  
2,060  
2,040  
2,020  
2,000  
1,980  
1,960  
1,940  
1,920  
1,900  
1,880  
1,860  
1,840  
1,820  
1,800  
1,780  
1,760  
1,740  
1,720  
1,700  
1,680  
1,660  
1,640  
1,620  
1,600  
1,580  
1,560  
1,540  
1,520  
1,500  
1,480  
1,460  
1,440  
1,420  
1,400  
1,380  
1,360  
1,340  
1,320  
1,300  
1,280  
1,260  
1,240  
1,220  
1,200  
1,180  
1,160  
1,140  
1,120  
1,100  
1,080  
1,060  
1,040  
1,020  
1,000  
980  
960  
940  
920  
900  
880  
860  
840  
820  
800  
780  
760  
740  
720  
700  
680  
660  
640  
620  
600  
580  
560  
540  
520  
500  
480  
460  
440  
420  
400  
380  
360  
340  
320  
300  
280  
260  
240  
220  
200  
180  
160  
140  
120  
100  
80  
60  
40  
20  
0  
-20  
-40  
-60  
-80  
-100  
-120  
-140  
-160  
-180  
-200  
-220  
-240  
-260  
-280  
-300  
-320  
-340  
-360  
-380  
-400  
-420  
-440  
-460  
-480  
-500  
-520  
-540  
-560  
-580  
-600  
-620  
-640  
-660  
-680  
-700  
-720  
-740  
-760  
-780  
-800  
-820  
-840  
-860  
-880  
-900  
-920  
-940  
-960  
-980  
-1,000  
-1,020  
-1,040  
-1,060  
-1,080  
-1,100  
-1,120  
-1,140  
-1,160  
-1,180  
-1,200  
-1,220  
-1,240  
-1,260  
-1,280  
-1,300  
-1,320  
-1,340  
-1,360  
-1,380  
-1,400  
-1,420  
-1,440  
-1,460  
-1,480  
-1,500  
-1,520  
-1,540  
-1,560  
-1,580  
-1,600  
-1,620  
-1,640  
-1,660  
-1,680  
-1,700  
-1,720  
-1,740  
-1,760  
-1,780  
-1,800  
-1,820  
-1,840  
-1,860  
-1,880  
-1,900  
-1,920  
-1,940  
-1,960  
-1,980  
-2,000  
-2,020  
-2,040  
-2,060  
-2,080  
-2,100  
-2,120  
-2,140  
-2,160  
-2,180  
-2,200  
-2,220  
-2,240  
-2,260  
-2,280  
-2,300  
-2,320  
-2,340  
-2,360  
-2,380  
-2,400  
-2,420  
-2,440  
-2,460  
-2,480  
-2,500  
-2,520  
-2,540  
-2,560  
-2,580  
-2,600  
-2,620  
-2,640  
-2,660  
-2,680  
-2,700  
-2,720  
-2,740  
-2,760  
-2,780  
-2,800  
-2,820  
-2,840  
-2,860  
-2,880  
-2,900  
-2,920  
-2,940  
-2,960  
-2,980  
-3,000  
-3,020  
-3,040  
-3,060  
-3,080  
-3,100  
-3,120  
-3,140  
-3,160  
-3,180  
-3,200  
-3,220  
-3,240  
-3,260  
-3,280  
-3,300  
-3,320  
-3,340  
-3,360  
-3,380  
-3,400  
-3,420  
-3,440  
-3,460  
-3,480  
-3,500  
-3,520  
-3,540  
-3,560  
-3,580  
-3,600  
-3,620  
-3,640  
-3,660  
-3,680  
-3,700  
-3,720  
-3,740  
-3,760  
-3,780  
-3,800  
-3,820  
-3,840  
-3,860  
-3,880  
-3,900  
-3,920  
-3,940  
-3,960  
-3,980  
-4,000  
-4,020  
-4,040  
-4,060  
-4,080  
-4,100  
-4,120  
-4,140  
-4,160  
-4,180  
-4,200  
-4,220  
-4,240  
-4,260  
-4,280  
-4,300  
-4,320  
-4,340  
-4,360  
-4,380  
-4,400  
-4,420  
-4,440  
-4,460  
-4,480  
-4,500  
-4,520  
-4,540  
-4,560  
-4,580  
-4,600  
-4,620  
-4,640  
-4,660  
-4,680  
-4,700  
-4,720  
-4,740  
-4,760  
-4,780  
-4,800  
-4,820  
-4,840  
-4,860  
-4,880  
-4,900  
-4,920  
-4,940  
-4,960  
-4,980  
-5,000  
-5,020  
-5,040  
-5,060  
-5,080  
-5,100  
-5,120  
-5,140  
-5,160  
-5,180  
-5,200  
-5,220  
-5,240  
-5,260  
-5,280  
-5,300  
-5,320  
-5,340  
-5,360  
-5,380  
-5,400  
-5,420  
-5,440  
-5,460  
-5,480  
-5,500  
-5,520  
-5,540  
-5,560  
-5,580  
-5,600  
-5,620  
-5,640  
-5,660  
-5,680  
-5,700  
-5,720  
-5,740  
-5,760  
-5,780  
-5,800  
-5,820  
-5,840  
-5,860  
-5,880  
-5,900  
-5,920  
-5,940  
-5,960  
-5,980  
-6,000  
-6,020  
-6,040  
-6,060  
-6,080  
-6,100  
-6,120  
-6,140  
-6,160  
-6,180  
-6,200  
-6,220  
-6,240  
-6,260  
-6,280  
-6,300  
-6,320  
-6,340  
-6,360  
-6,380  
-6,400  
-6,420  
-6,440  
-6,460  
-6,480  
-6,500  
-6,520  
-6,540  
-6,560  
-6,580  
-6,600  
-6,620  
-6,640  
-6,660  
-6,680  
-6,700  
-6,720  
-6,740  
-6,760  
-6,780  
-6,800  
-6,820  
-6,840  
-6,860  
-6,880  
-6,900  
-6,920  
-6,940  
-6,960  
-6,980  
-7,000  
-7,020  
-7,040  
-7,060  
-7,080  
-7,100  
-7,120  
-7,140  
-7,160  
-7,180  
-7,200  
-7,220  
-7,240  
-7,260  
-7,280  
-7,300  
-7,320  
-7,340  
-7,360  
-7,380  
-7,400  
-7,420  
-7,440  
-7,460  
-7,480  
-7,500  
-7,520  
-7,540  
-7,560  
-7,580  
-7,600  
-7,620  
-7,640  
-7,660  
-7,680  
-7,700  
-7,720  
-7,740  
-7,760  
-7,780  
-7,800  
-7,820  
-7,840  
-7,860  
-7,880  
-7,900  
-7,920  
-7,940  
-7,960  
-7,980  
-8,000  
-8,020  
-8,040  
-8,060  
-8,080  
-8,100  
-8,120  
-8,140  
-8,160  
-8,180  
-8,200  
-8,220  
-8,240  
-8,260  
-8,280  
-8,300  
-8,320  
-8,340  
-8,360  
-8,380  
-8,400  
-8,420  
-8,440  
-8,460  
-8,480  
-8,500  
-8,520  
-8,540  
-8,560  
-8,580  
-8,600  
-8,620  
-8,640  
-8,660  
-8,680  
-8,700  
-8,720  
-8,740  
-8,760  
-8,780  
-8,800  
-8,820  
-8,840  
-8,860  
-8,880  
-8,900  
-8,920  
-8,940  
-8,960  
-8,980  
-9,000  
-9,020  
-9,040  
-9,060  
-9,080  
-9,100  
-9,120  
-9,140  
-9,160  
-9,180  
-9,200  
-9,220  
-9,240  
-9,260  
-9,280  
-9,300  
-9,320  
-9,340  
-9,360  
-9,380  
-9,400  
-9,420  
-9,440  
-9,460  
-9,480  
-9,500  
-9,520  
-9,540  
-9,560  
-9,580  
-9,600  
-9,620  
-9,640  
-9,660  
-9,680  
-9,700  
-9,720  
-9,740  
-9,760  
-9,780  
-9,800  
-9,820  
-9,840  
-9,860  
-9,880  
-9,900  
-9,920  
-9,940  
-9,960  
-9,980  
-10,000  
-10,020  
-10,040  
-10,060  
-10,080  
-10,100  
-10,120  
-10,140  
-10,160  
-10,180  
-10,200  
-10,220  
-10,240  
-10,260  
-10,280  
-10,300  
-10,320  
-10,340  
-10,360  
-10,380  
-10,400  
-10,420  
-10,440  
-10,460  
-10,480  
-10,500  
-10,520  
-10,540  
-10,560  
-10,580  
-10,600  
-10,620  
-10,640  
-10,660  
-10,680  
-10,700  
-10,720  
-10,740  
-10,760  
-10,780  
-10,800  
-10,820  
-10,840  
-10,860  
-10,880  
-10,900  
-10,920  
-10,940  
-10,960  
-10,980  
-11,000  
-11,020  
-11,040  
-11,060  
-11,080  
-11,100  
-11,120  
-11,140  
-11,160  
-11,180  
-11,200  
-11,220  
-11,240  
-11,260  
-11,280  
-11,300  
-11,320  
-11,340  
-11,360  
-11,380  
-11,400  
-11,420  
-11,440  
-11,460  
-11,480  
-11,500  
-11,520  
-11,540  
-11,560  
-11,580  
-11,600  
-11,620  
-11,640  
-11,660  
-11,680  
-11,700  
-11,720  
-11,740  
-11,760  
-11,780  
-11,800  
-11,820  
-11,840  
-11,860  
-11,880  
-11,900  
-11,920  
-11,940  
-11,960  
-11,980  
-12,000  
-12,020  
-12,040  
-12,060  
-12,080  
-12,100  
-12,120  
-12,140  
-12,160  
-12,180  
-12,200  
-12,220  
-12,240  
-12,260  
-12,280  
-12,300  
-12,320  
-12,340  
-12,360  
-12,380  
-12,400  
-12,420  
-12,440  
-12,460  
-12,480  
-12,500  
-12,520  
-12,540  
-12,560  
-12,580  
-12,600  
-12,620  
-12,640  
-12,660  
-12,680  
-12,700  
-12,720  
-12,740  
-12,760  
-12,780  
-12,800  
-12,820  
-12,840  
-12,860  
-12,880  
-12,900  
-12,920  
-12,940  
-12,960  
-12,980  
-13,000  
-13,020  
-13,040  
-13,060  
-13,080  
-13,100  
-13,120  
-13,140  
-13,160  
-13,180  
-13,200  
-13,220  
-13,240  
-13,260  
-13,280  
-13,300  
-13,320  
-13,340  
-13,360  
-13,380  
-13,400  
-13,420  
-13,440  
-13,460  
-13,480  
-13,500  
-13,520  
-13,540  
-13,560  
-13,580  
-13,600  
-13,620  
-13,640  
-13,660  
-13,680  
-13,700  
-13,720  
-13,740  
-13,760  
-13,780  
-13,800  
-13,820  
-13,840  
-13,860  
-13,880  
-13,900  
-13,920  
-13,940  
-13,960  
-13,980  
-14,000  
-14,020  
-14,040  
-14,060  
-14,080  
-14,100  
-14,120  
-14,140  
-14,160  
-14,180  
-14,200  
-14,220  
-14,240  
-14,260  
-14,280  
-14,300  
-14,320  
-14,340  
-14,360  
-14,380  
-14,400  
-14,420  
-14,440  
-14,460  
-14,480  
-14,500  
-14,520  
-14,540  
-14,560  
-14,580  
-14,600  
-14,620  
-14,640  
-14,660  
-14,680  
-14,700  
-14,720  
-14,740  
-14,760  
-14,780  
-14,800  
-14,820  
-14,840  
-14,860  
-14,880  
-14,900  
-14,920  
-14,940  
-14,960  
-14,980  
-15,000  
-15,020  
-15,040  
-15,060  
-15,080  
-15,100  
-15,120  
-15,140  
-15,160  
-15,180  
-15,200  
-15,220  
-15,240  
-15,260  
-15,280  
-15,300  
-15,320  
-15,340  
-15,360  
-15,380  
-15,400  
-15,420  
-15,440  
-15,460  
-15,480  
-15,500  
-15,520  
-15,540  
-15,560  
-15,580  
-15,600  
-15,620  
-15,640  
-15,660  
-15,680  
-15,700  
-15,720  
-15,740  
-15,760  
-15,780  
-15,800  
-15,820  
-15,840  
-15,860  
-15,880  
-15,900  
-15,920  
-15,940  
-15,960  
-15,980  
-16,000  
-16,020  
-16,040  
-16,060  
-16,080  
-16,100  
-16,120  
-16,140  
-16,160  
-16,180  
-16,200  
-16,220  
-16,240  
-16,260  
-16,280  
-16,300  
-16,320  
-16,340  
-16,360  
-16,380  
-16,400  
-16,420  
-16,440  
-16,460  
-16,480  
-16,500  
-16,520  
-16,540  
-16,560  
-16,580  
-16,600  
-16,620  
-16,640  
-16,660  
-16,680  
-16,700  
-16,720  
-16,740  
-16,760  
-16,780  
-16,800  
-16,820  
-16,840  
-16,860  
-16,880  
-16,900  
-16,920  
-16,940  
-16,960  
-16,980  
-17,000  
-17,020  
-17,040  
-17,060  
-17,080  
-17,100  
-17,120  
-17,140  
-17,160  
-17,180  
-17,200  
-17,220  
-17,240  
-17,260  
-17,280  
-17,300  
-17,320  
-17,340  
-17,360  
-17,380  
-17,400  
-17,420  
-17,440  
-17,460  
-17,480  
-17,500  
-17,520  
-17,540  
-17,560  
-17,580  
-17,600  
-17,620  
-17,640  
-17,660  
-17,680  
-17,700  
-17,720  
-17,740  
-17,760  
-17,780  
-17,800  
-17,820  
-17,840  
-17,860  
-17,880  
-17,900  
-17,920  
-17,940  
-17,960  
-17,980  
-18,000  
-18,020  
-18,040  
-18,060  
-18,080  
-18,100  
-18,120  
-18,140  
-18,160  
-18,180  
-18,200  
-18,220  
-18,240  
-18,260  
-18,280  
-18,300  
-18,320  
-18,340  
-18,360  
-18,380  
-18,400  
-18,420  
-18,440  
-18,460  
-18,480  
-18,500  
-18,520  
-18,540  
-18,560  
-18,580  
-18,600  
-18,620  
-18,640  
-18,660  
-18,680  
-18,700  
-18,720  
-18,740  
-18,760  
-18,780  
-18,800  
-18,820  
-18,840  
-18,860  
-18,880  
-18,900  
-18,920  
-18,940  
-18,960  
-18,980  
-19,000  
-19,020  
-19,040  
-19,060  
-19,080  
-19,100  
-19,120  
-19,140  
-19,160  
-19,180  
-19,200  
-19,220  
-19,240  
-19,260  
-19,280  
-19,300  
-19,320  
-19,340  
-19,360  
-19,380  
-19,400  
-19,420  
-19,440  
-19,460  
-19,480  
-19,500  
-19,520  
-19,540  
-19,560  
-19,580  
-19,600  
-19,620  
-19,640  
-19,660  
-19,680  
-19,700  
-19,720  
-19,740  
-19,760  
-19,780  
-19,800  
-19,820  
-19,840  
-19,860  
-19,880  
-19,900  
-19,920  
-19,940  
-19,960  
-19,980  
-20,000  
-20,020  
-20,040  
-20,060  
-20,080  
-20,100  
-20,120  
-20,140  
-20,160  
-20,180  
-20,200  
-20,220  
-20,240  
-20,260  
-20,280  
-20,300  
-20,320  
-20,340  
-20,360  
-20,380  
-20,400  
-20,420  
-20,440  
-20,460  
-20,480  
-20,500  
-20,520  
-20,540  
-20,560  
-20,580  
-20,600  
-20,620  
-20,640  
-20,660  
-20,680  
-20,700  
-20,720  
-20,740  
-20,760  
-20,780  
-20,800  
-20,820  
-20,840  
-20,860  
-20,880  
-20,900  
-20,920  
-20,940  
-20,960  
-20,980  
-21,000  
-21,020  
-21,040  
-21,060  
-21,080  
-21,100  
-21,120  
-21,140  
-21,160  
-21,180  
-21,200  
-21,220  
-21,240  
-21,260  
-21,280  
-21,300  
-21,320  
-21,340  
-21,360  
-21,380  
-21,400  
-21,420  
-21,440  
-21,460  
-21,480  
-21,500  
-21,520  
-21,540  
-21,560  
-21,580  
-21,600  
-21,620  
-21,640  
-21,660  
-21,680  
-21,700  
-21,720  
-21,740  
-21,760  
-21,780  
-21,800  
-21,820  
-21,840  
-21,860  
-21,880  
-21,900  
-21,920  
-21,940  
-21,960  
-21,980  
-22,000  
-22,020  
-22,040  
-22,060  
-22,080  
-22,100  
-22,120  
-22,140  
-22,160  
-22,180  
-22,200  
-22,220  
-22,240  
-22,260  
-22,280  
-22,300  
-22,320  
-22,340  
-22,360  
-22,380  
-22,400  
-22,420  
-22,440  
-22,460  
-22,480  
-22,500  
-22,520  
-22,540  
-22,560  
-22,580  
-22,600  
-22,620  
-22,640  
-22,660  
-22,680  
-22,700  
-22,720  
-22,740  
-22,760  
-22,780  
-22,800  
-22,820  
-22,840  
-22,860  
-22,880  
-22,900  
-22,920  
-22,940  
-22,960  
-22,980  
-23,000  
-23,020  
-23,040  
-23,060  
-23,080  
-23,100  
-23,120  
-23,140  
-23,160  
-23,180  
-23,200  
-23,220  
-23,240  
-23,260  
-23,280  
-23,300  
-23,320  
-23,340  
-23,360  
-23,380  
-23,400  
-23,420  
-23,440  
-23,460  
-23,480  
-23,500  
-23,520  
-23,540  
-23,560  
-23,580  
-23,600  
-23,620  
-23,640  
-23,660  
-23,680  
-23,700  
-23,720  
-23,740  
-23,760  
-23,780  
-23,800  
-23,



## NEWS: EUROPE

Furious squabbling has broken out between France and the US over who will oversee next year's poll

## Bosnia peacemakers jostle for limelight

By Bruce Clark in London and Laura Silber in Belgrade

"What we all want is peace - a piece for you and a piece for me," read the caption on a cory wartime cartoon showing Stalin, Churchill and Roosevelt. The nations and organisations involved in the Bosnian peace process are also haggling, with a fury that is often farcical - and could yet turn tragic if it derails the settlement.

Yesterday's London conference was only the latest round of a peacemaking game in which all players are looking to maximise leverage and minimise expenditure and risk.

A furious squabble over who will oversee next year's Bosnian election - a European or an American - hotted up the chances of agreement on more substantial issues, such as who will foot the \$6bn reconstruction bill.

Almost the only things on which all sides agree is that a year-long mission by Nato's 60,000-strong implementation force (Ifor) has no chance of nailing down peace unless a larger and longer-lasting civilian machinery is also established.

Nato theology decrees that Ifor must not do civilian tasks - that would be "mission creep" - but civilian tasks, from resettlement to reconstruction, must somehow get done, to give Bosnian people a

vested interest in peace.

But one of the Nato mission's selling points - in the eyes of the US Congress - is that western armies in Bosnia must not be hamstrung by the bleeding-heart bureaucrats of the United Nations.

So Ifor will need to use some of the services the UN has hitherto provided, while avoiding overt association with an organisation whose name can only be pronounced in whispers on Capitol Hill.

General George Joulwan, Nato commander in Europe, has confided to UN officials that he would love to have at his disposal the 30 or so civil affairs officers whose quiet trouble-shooting has been a UN success story.

But whatever home these veterans of Bosnian politics eventually find, it is unlikely that they will be incorporated into Ifor, because of their past association with the UN.

The practical effects of the new slogan - "in with Nato, out with the UN" - can be observed all too vividly in a sprawling compound on the outskirts of Zagreb which the Atlantic alliance is taking over from the blue helmets.

The second floor of the compound, which is a curious mixture of Austrian Baroque and military prefab, has already been declared a security zone, off limits to UN personnel.

"Every time I look round there is another 10-foot-tall marine



US envoy Richard Holbrooke arrives in Sarajevo yesterday



A French UN tank passes other peacekeepers in an armoured personnel carrier yesterday near the shell of a wrecked newspaper building which was repeatedly bombed during the war.

measuring the ceiling," complains one UN official.

Back in New York, UN financial managers will be only too glad to be relieved of the strain which Bosnian peacemaking has placed on their ravaged budget. But whoever picks up the slack, it is unlikely to be Washington.

Washington feels it has shouldered more than its share of the Bosnian burden by host-

ing last month's peace talks in Dayton, Ohio, providing 80 per cent of the western air power over Bosnia, and sending in 20,000 troops in defiance of US public opinion.

Hence Washington's refusal to foot more than 20 per cent of the \$3bn in reconstruction costs which it expects to come from national governments, while financial institutions provide the remainder.

US officials say they "gave" France the prestige of hosting

next week's conference, where the peace deal will formally be signed, in acknowledgement of President Jacques Chirac's role in jolting the west into action.

But France will not play the grateful supplicant. As French officials tell it, the signing of the Elysée treaty (which Dayton, Ohio, used to call its own) is proof of Paris' abiding pri-

macy among Balkan peace-

makers.

France, they say, is the only country that has consistently worked for a settlement; the US is a Johnny-come-lately which owes Paris a huge debt. The London conference was dreamed up by Britain in October, at a time when Paris and Dayton were front-runners in the competition to be world capital of peacemaking.

## EUROPEAN NEWS DIGEST

## Publishers in cartel probe

Italy's anti-trust office, headed by former premier Giuliano Amato, has opened a formal investigation into whether publishers have been operating a cartel to prevent heavy discounting of books.

The inquiry follows complaints from Fald, the federation of wholesale distributors, whose 120 members include supermarket chains, cash and carry stores, discount operators and catalogue sales companies. They claim the main publishers and the Italian booksellers association are operating a price cartel with bookshops and retail outlets which includes penalising those who break the pact. The publishers are expected to defend their position, arguing that heavy discounting undermines small bookshops and damages the publishing industry as a whole.

Robert Graham, Rome

## Belarus, Ukraine vote tomorrow

Voters in Belarus and Ukraine will tomorrow try to fill vacant seats in their parliaments months after previous elections failed to satisfy tough turnout requirements.

The future of democracy is at stake in Belarus, where the president has vowed to rule without a legislative check unless the turnout brings in enough MPs to make a two-thirds quorum in the 260-seat parliament. Twenty MPs got in last week's first round, where a surprisingly high turnout ensured that all but two of 140 constituencies held valid votes, joining 119 who won in the first election rounds in May. Communists are expected to do well in the run-off, but the liberal opposition in Belarus appears stronger as the economy continues to shrink.

In Ukraine, the by-elections are for 45 seats in the communist-led parliament, and reformers hope new MPs may change the balance of power. Mr Yvhen Marchuk, prime minister, looks likely to win a seat and may try to challenge the current communist parliamentary chairman, Mr Oleksandr Moroz. A new constitution and economic reform are the main issues at stake.

Matthew Kaminski, Kiev

## French strike hits central bank as third of workers walk out

By Andrew Jack

Nearly a third of the employees of the Bank of France, perhaps the institution most committed to budgetary constraint and fiscal responsibility in the country, went on strike this week.

Members of five of the seven unions represented at the bank stayed away from work yesterday and on Thursday, the day that the bank's monetary policy council decided to cut interest rates in an apparent sign of confidence in the government's resolve to push through its cost-cutting programme in the face of union opposition.

One trade unionist at the bank said the Bank's monetary policy role was "the domain of the governor, not of the per-

sonnel who carry out work of high quality in the service of the state".

The Bank of France gained independence from the French government early last year, but its 16,800 tenured employees have held a status apart from civil servants and other public sector workers for far longer.

They benefit from a *régime spéciale* like conscripts in the SNCF, the national railway company, the RATP urban transport system, the gas and electricity utilities and other quasi-public sector institutions.

They are required to pay contributions towards retirement for 37.5 years, rather than 40 years in the private sector.

Like other public sector workers, their pensions are calculated on salary in the six months before they retire, not the private sector norm which takes into account the best years of the previous 25.

Unlike train drivers and some other groups considered to be subject to special stress who have the right to retire at 50, Bank of France staff must stay in their jobs till they are 60 - with the option for senior staff to extend this until 63 years old.

Employees have other advantages, such as longer holidays than most and a gross monthly salary of FF17,400 (\$3,600) a month - which the unions argue reflects the relatively high level of training.

Like their *compères* in the

banks, staff can receive top-up personal and housing loans at up to 30 per cent below market interest rates. Women receive up to 33 weeks of paid maternity leave, against the legal minimum of 16 weeks, and those who are ill can draw up to three months' pay each year.

The unions, which voted to continue their strike today, express concerns about general reforms to the country's social security system, but also face specific concerns.

A special works committee on December 19 is to discuss up to 800 jobs losses in its hanknote-printing division, and other management reforms could threaten staff in a number of other areas of the Bank.

## France's adult literacy levels win poor marks from OECD

By Andrew Jack in Paris

France suffers from levels of adult literacy substantially below the levels in a number of other developed countries, according to a confidential study prepared by the Organisation of Economic Co-operation and Development.

Young French people aged 16-25 performed well, but older ones scored poorly, an indication that workplace-based training and on-the-job skills development of adult employees need improvement.

The figures were suppressed from an official report published last week by the OECD which examined the literacy skills of groups of people in all age ranges in seven countries.

France spent more than FF7bn (\$16,000) contributing to the \$15m (£3.4m) cost of the three-year research programme, but vetoed the inclusion of its own national results three months ago after seeing how low it scored.

Part of the problem is that there is no word in French for literacy

lands, Germany, French-speaking Swiss, German-speaking Swiss and Canada.

French government officials claim that statistics collected from the different countries were not comparable, that the methodology used in the study was faulty and that there was confusion over what was being measured.

One source said that part of the problem was that there is

no word in French for literacy as it is understood in other languages: the nearest word for illiteracy means a complete inability to read.

The OECD study was designed to examine three issues: prose literacy, or the know-how to understand texts found in everyday life; document literacy, or the ability to respond to written information; and quantitative literacy, or the skill required for arithmetic operations.

From the total group of people studied across the eight countries, 40 per cent of the French were in the bottom fifth in their prose literacy, 37 per cent in document literacy and 33 per cent in quantitative literacy. In all cases, they came just ahead of Poland. Britain refused to participate.

Those who have seen the full OECD study hope that the French will at least pay some attention to private to the lessons that they do not wish to air in public.

tries such as Sweden, the abilities at school-leaving age were relatively poor, the figures improved as people got older, suggesting that they continued to develop educationally once they went into the workplace.

In France, by contrast, they appeared to stagnate at best. "The school system appears to function well, but the hierarchical and authoritarian approach of French companies with the idea that the technocrats at the top know best - means that most workers don't get the chance to develop their skills," says one source with knowledge of the project.

It seems that France, like the UK, will take part in a new study, which will also involve Italy, Spain, Portugal and Greece.

Those who have seen the full OECD study hope that the French will at least pay some attention to private to the lessons that they do not wish to air in public.

## Moscow agrees autonomy deal with Chechnya

By John Thornhill in Moscow

Russia yesterday reached an outline political agreement with representatives of the Moscow-appointed Chechen government offering considerable autonomy to the Caucasian republic in an attempt to resolve their four-year power struggle.

But the deal, which comes nine days before parliamentary elections in Russia, appears to fall well short of a final political settlement.

Relations between Moscow and Chechnya have been strained ever since the separatist leader Mr Dzhokhar Dudayev declared independence from the Russian Federation in 1991. But the dispute erupted into open conflict a year ago when Russian forces invaded the region in an attempt to topple Mr Dudayev, causing the deaths of about 30,000 people and creating 450,000 refugees.

Mr Victor Chernomyrdin, Russia's prime minister, signed the agreement in Moscow with Mr Dokh Zavgayev, the nominal head of the Chechen Republic, promising to give the region a special status within the Russian Federation.

The Russian government also agreed to provide additional financial resources to help rebuild Chechnya and compensate residents who had suffered in the recent conflict.

The vaguely worded agreement, containing only the main principles of a final settlement, resembles the treaty Moscow signed with the republic of Tatarstan in February 1994, which ceded considerable financial and political autonomy to the central Russian region.

The deal comes as a welcome political boost to Mr Chernomyrdin, whose Our Home is Russia electoral bloc appears to be flagging in the run-up to the parliamentary poll on December 17.

Mr Chernomyrdin has long

championed a peaceful solution to the Chechen conflict, which has badly tarnished Russia's image abroad.

"Neither Dudayev nor anybody else can stop the peace process. We've been waiting for this moment for too long," Mr Chernomyrdin said.

This agreement will bring peace to every family. It will help to determine relations with the federal bodies of power, resolve the outstanding social and economic problems, and restore the traditional cultural, economic and other ties with the regions inside and outside the country.

But it was not clear whether other Chechen politicians would abide by the agreement. Some Chechen leaders have vowed they will settle for nothing less than full independence and will oppose those seeking

compromise.

Mr Zavgayev has been the target of several assassination attempts in the past few weeks and federal troops reported yesterday they had come under fire from Chechen resistance fighters 25 times in the previous 24 hours.

Despite the signing of a military agreement this summer, violence in the region has escalated ahead of a poll scheduled for December 17 to elect a new regional head. Some separatists have threatened full-scale civil war in the region if the elections go ahead as planned.

## Russian bank wins control of oil giant

By John Thornhill in Moscow

Menatep, one of Russia's most powerful banks, yesterday secured control of Yukos, the country's third highest commercial oil company, as the government continued to unfold its controversial privatisation programme.

The bank yesterday agreed to lend the government \$159m (£100m) in return for managing a 45 per cent state shareholding in Yukos until next year, but is expected to secure full ownership of the share packet thereafter.

Menatep also acquired a further 33 per cent of Yukos's shares through an investment tender in which it pledged to invest \$150.1m in developing the oil company's assets. Like most Russian oil companies, Yukos has seen its production levels fall sharply as a result of the economic upheavals but expects to stabilise annual production at about 35m tonnes this year.

The government's privatisation programme, which is transferring big parcels of shares in some of the country's most valuable semi-privatised companies to domestic commercial banks, is radically reshaping Russian capitalism. But it has also sparked

fierce rows within Russia's financial community and criticism from politicians.

Three other powerful Russian banks - Inkombank, Alfa-Bank, and Rossiskiy Kredit - which wanted to compete in the privatisation auction for Yukos, alleged that Menatep was unfairly attempting to grab control.

Their complaints were rejected by the government and they did not participate in yesterday's auction.

Mr Anatoly Chubais, the first deputy prime minister responsible for economic policy, forcefully defended the privatisation programme this week, arguing it was impossible to pursue an "error-free" model of transferring assets to the private sector.

The privatisation programme has become highly contentious ahead of Russia's parliamentary election scheduled for December 17 and even some pro-market reform politicians have called for the share transfers to be halted.

The Communists, leading in the opinion polls, have accused the government of selling off the people's property too cheaply, but Mr Chubais said the state could only sell an asset for as much as someone was prepared to pay.

## Greek Socialists jockey for position

While Mr Andreas Papandreu, Greece's prime minister, battles to stay alive, politicians in his Panhellenic Socialist Movement are abandoning any pretence of governing as usual.

An atmosphere of conspiracy has engulfed Pasok as rival contenders for the prime minister's job line up potential supporters ahead of what is expected to be a bitterly contested struggle for power.

Cabinet ministers are abandoning the orange telephones used for direct communication between government officials in favour of mobiles, which are thought by their advisers more difficult to tap.

The Socialists' display of unity after Mr Papandreu was rushed to hospital on November 20 with pneumonia proved short-lived. The cabinet's

efforts to maintain an appearance of normality dissipated as his condition worsened.

Mr Papandreu, 76, sat up yesterday after being unconscious for most of the past 10 days. Doctors said he had shown improvement but were cautious about his chances of full recovery.

Mr Telemachos Hytiris, the media minister, repeats at his daily briefing, though in increasingly gloomy tones, that it is still too early to discuss a new prime minister.

Debate centres on the timing of Mr Papandreu's resignation and whether he will make known the name of his preferred successor to his wife Dimitra, the only person with unrestricted access to the intensive care unit at the Onaseion Cardiac Hospital where he is being treated.

The cracks in Pasok's facade

are widening as a growing number of backbenchers, scenting a chance to wield unaccustomed power, call for an immediate vote by the parliamentary group to choose a new prime minister.

For the government, apparently simple decisions have assumed daunting proportions. It took several days of consulting between Greek officials in Athens and Brussels before the acting prime minister, Mr Akis Tsochatzopoulos, received the go-ahead to replace Mr Papandreu at next week's EU summit in Madrid.

Some prominent Socialists argued that Mr Tsochatzopoulos, whose exposure to international affairs consists mostly of brief appearances at Socialist international meetings, lacks the experience to defend Greek interests at the summit.

The real reason for their

objections, say others, was that a successful performance in Madrid could give a decisive boost to his chances of holding on to the prime minister's job permanently.

However, foreign policy-making, which Mr Papandreu used to handle personally, is on hold, with ministry officials more likely to be found in nearby cafes than at their desks. Mr Karellos Papoulas, the foreign minister and one of the prime minister's closest friends, has cancelled a visit to Bulgaria and spends much of his time at the hospital.

Only at the economy and finance ministries, responsible for getting the 1996 budget through parliament before the Christmas recess, are civil servants being required to keep regular hours.

It is good news for economic policy that neither Mr Yannis

Papantoniou, economy minister, nor Mr Alex Papadopoulos, finance minister, is a candidate to succeed Mr Papandreu. As a result they have time and energy available to repulse a campaign by the cabinet's radical wing to undermine next year's tight wages policy.

Both ministers are keeping in close touch with the central bank governor, Mr Loukas Papademos, in case the leadership vacuum triggers a run on the drachma. Interest rates moved gradually upwards as Mr Papandreu's condition weakened, but are not yet giving cause for concern, according to central bank officials. The drachma fell against the D-mark when he was rushed to hospital but recovered quickly and has remained stable.

Kerin Hope

**Cartier**

**CARTIER BOND STREET**

**CHRISTMAS**

**OPENING HOURS:**

WED 13TH DECEMBER 10AM - 7PM.  
THURS 14TH DECEMBER 10AM - 8PM.  
FRI 15TH DECEMBER 10AM - 7PM.

WED 20TH, THURS 21ST,  
FRI 22ND DECEMBER  
10AM - 7PM.

SAT 23RD DECEMBER  
10AM - 6PM.

175-176 NEW BOND STREET, LONDON W1.  
TEL: 0171-493 6962.

سكزا من الاصل



## Happy ending to troubled Jupiter voyage

By Clive Cookson,  
Science Editor

The accident-prone six-year voyage by Galileo, the unmanned US space explorer, from Earth to Jupiter concluded triumphantly late on Thursday night with a 49-minute engine burn, which put the craft into a near-perfect orbit around the giant planet.

At the same time, Galileo's companion probe parachuted as planned through the stormy Jovian atmosphere, transmitting what Mr. Torrence Johnson, the mission's chief scientist, called "an extremely detailed weather report, the most important weather report we'll ever get."

After about an hour the probe was destroyed by the heat and/or pressure of the gases above it.

Amid scenes of jubilation at the Jet Propulsion Laboratory in Pasadena, California, Mr. Daniel Golden, head of NASA, the US space agency, asked his project team: "Is this a great day or what?"

"I'm so proud of this NASA team," he said. "They stuck with it. They had all sorts of problems to deal with and they never gave up."

The most serious problem was the failure of Galileo's main radio antenna early in its 3.7bn kilometre journey. The stand-by communications system being used instead is far slower and less powerful; it involves recording data on magnetic tape and transmitting it later from the craft's small navigational antenna.

As a result, the project team does not know yet what conditions the probe encountered as it descended through Jupiter's orange-coloured clouds. Scientists had forecast extremely turbulent weather, with winds up to 500kph and violent thunderstorms. They hope that Galileo will transmit the probe's measurements to them during next week. They could then announce preliminary scientific conclusions within 10 days.

The 2½-ton craft is expected to remain in orbit for two years before plunging to destruction inside Jupiter's atmosphere.

During that time, Galileo will take pictures of the planet itself and eight of its 16 known moons.

It will also observe Jupiter's rings - far fainter than those of Saturn - and measure its intense magnetic fields and associated storms of dust and electrically charged particles.

By the end of the \$1.5bn mission, many of the project scientists will have devoted more than 20 years to it.

They started designing Galileo in the mid 1970s as a follow-up to the Voyager fly-by missions, and suffered years of delay and forced re-designs before the craft was launched in 1989.

But nothing still to come is likely to match the emotions felt on Thursday night.

"You wait 18 years; when it comes to that moment you sweat," said Mr. Wesley Huntress, NASA's head of space science.

"Then tears come to your eyes, you throw your hands up. That's what makes this business so exciting."

## INTERNATIONAL NEWS DIGEST

### Pension reform row in Mexico

A law to reform Mexico's state-run pension system was approved early yesterday by the national chamber of deputies, after a stormy all-night session that almost split the ruling Institutional Revolutionary Party (PRI).

In order to maintain party unity, PRI leaders made last minute changes to the bill, modifying it almost beyond recognition. The PRI was the only party to vote for the reforms, which were opposed by the conservative National Action Party and the left-leaning Revolutionary Democrats.

President Ernesto Zedillo's original intention was to introduce a law that would privatise the management of retirement savings, currently under the auspices of the Mexican Social Security Institute (IMSS), a mammoth bureaucracy with more than 300,000 employees, and a budget bigger than that of Pemex, the state-owned oil monopoly and Mexico's biggest company.

Mr Zedillo's bill sought to create private-sector pension fund management companies, fashioned after the Chilean system that was privatised 15 years ago.

The opposition of many PRI deputies, however, led to amendments that kept the IMSS in charge of pension fund administration, although contributors will have their individual accounts. *Leslie Crawford, Mexico City*

### Hata bid to lead opposition

Mr Tsutomu Hata, a former Japanese prime minister, yesterday launched a bid to take over as president of Japan's main political opposition group, the New Frontier Party.

Mr Hata, who was Japan's shortest reigning post-war prime minister, for two months last year, said he would compete in the NFP's first leadership election since its formation from the merger of nine small opposition parties a year ago. Mr Hata, deputy head of the NFP and a former finance minister, is popular with Japan's bureaucracy and seen as a safe and competent leader by the business community.

The current NFP leader is Mr Toshiki Kaifu, another former prime minister, who has been criticised by NFP members for failing to differentiate the centre-right NFP from the conservative ruling Liberal Democratic Party. Mr Ichiro Ozawa, the party's secretary general and political strategist, has also hinted in recent days that he might compete for the job. His calls for a more open and assertive government have won support in NFP ranks. *William Deslaur, Tokyo*

### Vietnam debt talks threatened

Fragile negotiations between Vietnam and its commercial creditors over the rescheduling of about \$800m in arrears are under threat from a small, British Virgin Islands-registered company which is taking a Vietnamese bank to court in London for repayment of \$2.2m of the debt, bankers said yesterday.

The move has unsettled bankers and the Vietnamese government, as both are locked in tough talks over the terms of what would be Hanoi's first attempt to settle commercial, or London Club, debt. Resolving the issue would sharply reduce Vietnam's sovereign credit risk and improve the scope of foreign bank lending to much-needed infrastructure projects.

Abbotsford Investments, the British Virgin Islands company, is understood to have bought a slice of Vietnamese debt on the secondary market in 1994. This amount represents a loan made to Vietcombank, a state-owned bank, by Italy's Banca Commerciale Italiana in 1979. Abbotsford has demanded repayment of the loan at full value. Vietcombank refused, saying it was still in talks over its entire commercial, or London Club, debt. Hanoi's \$800m debt is mostly in Vietcombank's name. *Jeremy Grant, Ho Chi Minh City*

### Pesticide phase-out is agreed

Industrial countries have agreed to cut the use of methyl bromide, a widely used fumigant, as the next stage in their efforts to halt destruction of the ozone layer.

Environmental ministers agreed in Vienna this week to reduce use of the substance by 25 per cent by the year 2001, followed by a 50 per cent cut by the year 2005, with phase out by 2010, subject to exemption for certain critical agricultural uses. They also agreed to bring forward the phase-out of HCFCs, used for refrigeration, from 2030 to 2020. Developing countries are to get less stringent targets.

Methyl bromide is widely used as a pesticide, particularly in the third world. *David Lascelles, Resources Editor*

### Honda may build US plant

Honda is considering manufacturing minivans in North America, one of the fastest growing vehicle sectors.

The Japanese carmaker said no decision had been made on what kind of minivan Honda would make, where in North America it would do so and when production would begin.

Toyota has announced that it will start producing a minivan in the US in the spring of 1997. Most Japanese carmakers, including Honda, export their minivan models to the US. But the yen's appreciation has undermined the cost competitiveness of cars made in Japan and hurt the companies' profitability. *Michiko Nakamoto, Tokyo*

Malaysia's state-owned Petronas oil company yesterday signed two gas and petrochemical deals, estimated at billions of dollars, with five foreign partners and a local company. One agreement was for the construction of a liquefied natural gas plant in Malaysia with Japan's Nippon Oil, US-owned Occidental LNG and Shell Gas of the Netherlands. The other was for the building of a \$300m (\$118.5m) vinyl chloride monomer plant, also in Malaysia, with locally-based Land & General and Japan's Mitsui.

Gas from the new project is expected to be taken up by traditional buyers Japan, South Korea and Taiwan and new markets in India, China and Thailand. *Reuter, Kuala Lumpur*

## Figures on US jobs raise chance of rate cut

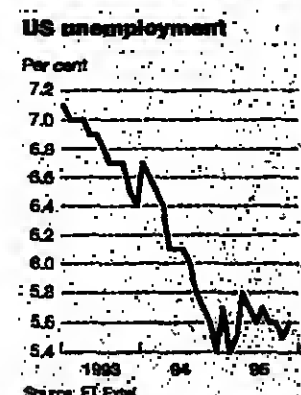
By Michael Proulx  
in Washington

Speculation that the Federal Reserve will cut interest rates this month mounted yesterday following the release of lacklustre jobs figures.

The US Labour Department said the jobless rate rose to 5.5 per cent from 5.3 per cent in October. On Wall Street, bond prices rose sharply in early trading on hopes that the Fed would cut rates at its policy meeting on December 13 even if Congress and the White House had not agreed a deal to balance the federal budget. By midday, the benchmark 30 year bond was up 1/8 to yield 6.04 per cent.

Many economists, however, believe the Fed will not ease rates without a credible budget deal and then by only a token quarter point, reflecting its concern that wage inflation could accelerate given the low jobless rate.

Non-farm payroll employment rose by 165,000, roughly in line with market projections. However, economists said job growth would have been under 100,000 but for technical factors including a long-



ger-than-average survey period and revised seasonal adjustments. Officials also revised employment data for October to show an increase of 66,000 rather than the 115,000 previously reported.

Manufacturing employment fell by 32,000, indicating many companies are paring production to reduce stocks of unsold goods. Service industries such as retailing and healthcare, however, showed significant job gains.

The data followed a series of weak indicators pointing to significantly slower growth this quarter than the annualised real rate of 4.2 per cent reported for the July-September period. Some economists are warning of the risk of recession next year if the Fed does not ease monetary policy.

The Fed cut the federal funds rate - the rate at which banks lend to one another - by a quarter point to 5.75 per cent in July. However bond yields have since fallen sharply reflecting greater optimism on inflation and projections of sluggish economic growth. Yields on Treasury securities of maturities up to 10 years are now below the federal funds rate, signalling that investors expect the Fed to ease policy in the near future.

President Bill Clinton said speculation that he was leaning toward appointing Mr Alan Greenspan to a third term as Federal Reserve chairman was "very premature". Mr Greenspan enjoys the strong backing of both the financial community and the Republican-led Senate.

## Japanese move closer to liberalising telecom market

By Michio Nakamoto in Tokyo

Japan's telecommunications authorities yesterday signalled a greater willingness to deregulate the country's telecom market by indicating that, in principle, barriers between local and long-distance telecom operations and between domestic and international operations would be removed.

Mr Issei Inoue, minister for posts and telecommunications, said measures employed by the ministry to restrict the entry of telecom operators into one another's markets would be abolished.

The relaxation would, however, at this point only apply to carriers other than NTT and KDD, which are individually regulated by specific laws. Whether NTT, the country's largest operator, and KDD, the largest international operator, are allowed to enter each other's markets would be left up to the Telecommunications Council, an advisory panel to the minister which is deliberating the future status of NTT.

Japan is the only leading industrialised country which clearly separates domestic and international operations. At present, NTT and KDD are legally prevented from enter-

ing each other's markets, though both have indicated an interest in doing so.

The telecom authorities say there are no legal restrictions on other carriers entering different market sectors. However, in practice, "administrative guidance" has prevented the free entry of operators into different sectors of the market. The ministry has broad authority to determine whether specific markets have room for new entrants.

Mr Inoue's remarks came as calls mounted for greater liberalisation in Japan's telecommunications market. A report published by a government

advisory committee on Thursday called for bold deregulation of rules restricting entry into the market as well as a break-up of NTT to further competition in the domestic market.

The ministry's policy declaration drew cautious applause from the business community. "What the minister has said he intends to do is a dramatic move, if it is really put into action," said an official at the Keidanren, Japan's most influential business organisation. "It will make it easier for foreign companies to do business in Japan, which is something we really welcome."

## BEIJING'S BOY CROWNED



Gyaincahn Norbu, 6, presents a ceremonial scarf to Li Tieying, the Deputy of China's State Council or cabinet, after being enthroned as Tibet's Panchen Lama yesterday. China is pressing Tibetan Buddhists to accept its controversial choice for Tibet's second-ranking monk over one named by the exiled god-king, the Dalai Lama. A grand ceremony in the Tashilhunpo monastery in Shigatse city enthroned Gyaincahn Norbu as the "soul boy" recipient of the spirit of the 10th Panchen Lama, who died in 1989. China's action left Tibetans with a stark choice between two Panchen Lamas: Beijing's boy and Gedun Choekyi Nyima, also 6, named in May by the Dalai Lama, who lives in India and is accused by China of favouring independence for Tibet. Exiled Tibetan and human rights groups have expressed concern over the fate of Gedun Choekyi Nyima, who is reported to have been removed from Tibet with his parents. China denies detaining the family. *AP, Beijing*

## Red faces over a pink folder

By Angus Foster in São Paulo

A leaking of documents suggesting senior Brazilian politicians received illegal campaign financing in 1990 congressional elections has stirred a political crisis which threatens to delay approval of several important government measures due to be approved by Congress this month.

The documents purport to show many senior politicians were sent campaign contributions by a private sector bank and the national bank federation (Fenaban). At the time, such campaign donations were illegal although widespread.

While the named politicians are unlikely to be charged, even if the contributions are proved, the list is an embarrassment for them. The central bank, seen by some politicians as responsible for the leak, has been harshly criticised, with calls for the resignation of its president, Mr Gustavo Loyola.

Central bank officials found the list among documents in a pink folder in the offices of Banco Econômico, put under central bank administration earlier this year after a liquidity crisis, and catalogued 42 politicians alongside coded numbers. Some analysis sug-

gests the codes refer to payments, since other documents found in the pink folder include campaign cheques and receipts.

Among the named politicians are two ministers in Mr Cardoso's government, including Mr José Serra, planning minister. Mr Serra yesterday denied any involvement in the case and called for all documentation to be released publicly.

Two of Brazil's most powerful politicians, Mr Antônio Carlos Magalhães and his son Luiz Eduardo, were also named in the documents. Both came from the northern state of Bahia and were opposed to central bank intervention in Banco Econômico, also based in the state. Members of their Liberal Front party (FRL), part of the ruling coalition, are demanding the resignation of central bank directors they say are implicated in the case.

But Mr Cláudio March, a central bank director, rejected the calls. "The directorate of the central bank does not leak documents," he said. Brazil's election rules until recently banned companies and banks from making campaign contributions, even though nearly every politician received them.

# Tiers of joy.

| Current Interest Rates - Variable Gross p.a. |       |
|--|-------|
| BALANCE                                      | RATES |
| £500 - £9,999                                | 5.69% |
| £10,000 - £39,999                            | 6.40% |
| £40,000 - £99,999                            | 6.50% |
| £100,000 - £249,999                          | 6.60% |
| £250,000+                                    | 6.75% |

Read it and reap. Woolwich Guernsey has consistently offered excellent rates of interest in all these tiers.

Last year, in particular, our £500-£9,999 tier offered 5.75% interest, the highest rate of any offshore building society subsidiary. Which, incidentally, made it the industry best buy for 1994.\*

And, had you invested £10,000 over the past 3 years in our £10,000-£39,999 tier, you'd now be crying with laughter, because it was also rated as industry best buy in '94.\*\*

In fact, you can now earn an impressive 6.40% in this bracket. Quite obviously then, you could do yourself a wealth of good by investing with Woolwich Guernsey. And you can rest assured your investment is secure. All deposits are 100% guaranteed by Woolwich Building Society.

Not only that, the beauty of this Woolwich Guernsey account is that it gives you instant access to your money. You're free to withdraw all or part of your investment at any time you like with no penalties at all.

To find out more, call us on 01481 715735 during weekly business hours. Alternatively fax us on 01481 715722 or clip the coupon.

Woolwich Guernsey. We wipe away the competition's tears.

I want my money to earn more interest. Please send me details of the Woolwich Guernsey Sterling International Gross Account.

Mr/Ms/Miss/Ms

Address

Postcode

Country

Tel/Fax No.

Return to: Woolwich Guernsey Limited, PO Box 341, La Tonnelle House, Les Bains, St Peter Port, Guernsey GY1 3UN.

**WOOLWICH**  
GUERNSEY

## South African unions threaten strikes over sale of state assets

By Roger Matthews  
in Johannesburg

South Africa's trades unions reacted angrily yesterday to the government's plans to speed the reorganisation of the state sector and seek minority equity partners for South African Airways and Telkom, the telecommunications company.

The Congress of South African Trade Unions (Cosatu) said it had heard the announcement by Mr Thabo Mbeki, the deputy president, with "shock and disbelief", and accused the government of renegeing on a series of agreements.

"Any public enterprise which goes ahead with unilateral restructuring, with or without government approval, will feel the wrath of our members," said Cosatu. "We will also deal with those sharks who are attempting to colonise public assets as their own private property."

Union leaders are to see min-

isters on Monday, and warned yesterday that if there was not a change of attitude by the government they would consider mass action, including strikes.

The row marks the first serious rift in the political alliance between Cosatu and the African National Congress, which heads the government of national unity.

Mr Cyril Ramaphosa, secretary general of the ANC, yesterday praised the government's "consultative process" in seeking a common perspective on the future of state assets, but Cosatu said it had been totally ignored and was being asked "to rubber stamp someone else's agenda".

Cosatu leaders said that only a week ago they had agreed with the government that no state sector recommendations would be made without full consultation, and that a moratorium would be placed on restructuring until an overall

policy had been accepted.

The cabinet decision to create a new sub-committee, chaired by Mr Mbeki, to push the process forward also reveals the frustration that has been building over the lack of enthusiasm shown by Mrs Stella Sigcau, the minister of state enterprises, particularly in regard to possible privatisation.

The cabinet has already decided the proceeds from any sales should be used to reduce official debt and to cut servicing costs which absorb nearly one in every five rands of government revenue.

With pressure on the budget mounting, the government appears to have decided that it must seek additional sources of revenue.

Telkom has long been regarded as a prime target for partial privatisation, and Mr Pello Jordan, the minister for posts and telecommunications, said in February that it should

consider taking a minority partner if it was to achieve its goal of installing 1m telephone lines in the next five years. The development of South African Airways, and the opportunities that exist for international expansion, have also marked it out as a ready candidate for a foreign equity partner.

Ministers will not say how much of either company may be sold, but an initial offering of 20 per cent has been mentioned. The government may also seek to appease the unions by including a share offering to employees.

The private sector has warmly welcomed the government's announcement. Mr Raymond Parsons, director general of the South African Chamber of Business, said the government move would help build confidence in its economic policy and provide new opportunities for private investment.

الرياض 15



## NEWS: UK

## Hardship fund for Names to close in February

By Ralph Atkins, Insurance Correspondent

Lloyd's of London toughened its stance yesterday towards recalcitrant loss-making Names by announcing the closure from next February of its "hardship" scheme, which allows the worst-hit to maintain a modest standard of living.

The move appeared aimed at marshalling Names – the individuals whose assets have traditionally supported Lloyd's – behind the market's recovery.

plan launched in May. If successful, the plan would, like the hardship scheme, offer all Names "finality" – a cap on their liabilities so they can leave the market.

But it is unclear whether, under the plan, Names would be able to obtain better terms than the benefits available through the hardship scheme. This allows joint disposable income of £17,500 (£26,950) a year and a modest house.

The decision was attacked last night by Names' groups, many of which fear that the

£2.8bn funds available under the recovery plan for loss-making and litigating Names will be insufficient.

Mr Robert Miller, of the Association of Lloyd's

**LLOYD'S**  
LLOYD'S OF LONDON

Members, said: "The ALM is suspicious and doubtful as to exactly what it means." Names had been victims of more than commercial misadventure and "we think that ought to be

recognised". The closure of the hardship scheme could affect the 906 Names whose applications are being processed and which have to be agreed by the end of February. Fresh applications were halted last year although Names in negotiations with Lloyd's can still be referred.

Some 1,066 hardship proposals have been accepted since the scheme began in 1993. Subsequently the market has reported losses of more than £2bn.

Lloyd's said hardship was

being withdrawn to clear the backlog of applications before implementing the recovery plan next spring – assuming approval by Names. Mr Philip Holden, head of financial recovery, said: "We can't settle problems with the whole market and still have a subset that gets particular benefits."

Lloyd's insiders said the move would stop Names deliberately delaying hardship talks and regarding the benefits available as a starting point. It also made clear that the recovery plan was the best

option for Lloyd's and highlighted the grim outlook for Names if the plan failed.

A row also erupted over whether Names should try to prevent Lloyd's agents handing over rights to the reinsurance company, Equitas, which is intended to take over old liabilities and provide "finality" to Names as part of the recovery plan. The Names association's working party fears Names are being steamrollered into accepting Equitas before it is approved by regulators.

## Party chief sees risk of war in Europe

By George Parker at Westminster

Europe could be plunged into war within 20 years if protests on the streets of Paris are a harbinger of the death of economic and monetary union, Mr Paddy Ashdown, leader of the centrist Liberal Democrat party, will warn tomorrow.

In a cataclysmic interpretation of events in France, Mr Ashdown warns that the future of the continent is on a knife-edge. He predicts that if the French government is forced to by public unrest to abandon economic reforms designed to pave the way towards EMU, the European project will quickly unravel.

"The future of Europe is now being fought out on the streets of Paris," Mr Ashdown says in an interview for BBC television. "If that drives the French government off course, monetary union – in the face of British scepticism – is unlikely to come about."

He insists that the abandonment of EMU would lead to the reversal of 30 years of European integration. "We will see the return of Europe to competitive states and – in my view – war, or at least conflict, either within the European borders or outside the European borders, within two decades," Mr Ashdown, as leader of Britain's most pro-European party, realises his views are unfashionable, but his enthusiasm for monetary union has not been dented.

He says nationalism is already evident in Germany and in certain elements of Britain's Conservative party. He argues that further integration, including EMU, is the only way of holding the continent together.

## PM challenges Adams on IRA arms

By Robert Peston, Political Editor

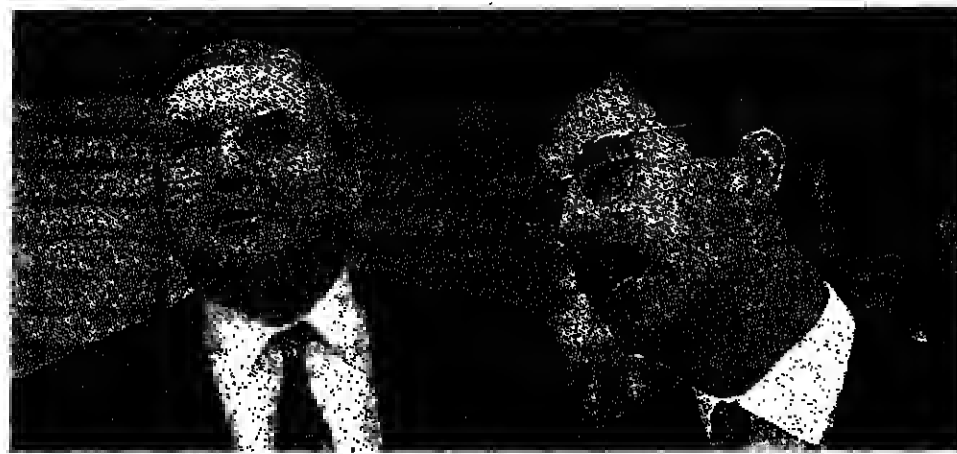
Mr John Major, the prime minister, yesterday urged Mr Gerry Adams to decide whether he is a peacemaker or a "straightforward spokesman for a terrorist organisation". Mr Adams is president of Sinn Féin, the political wing of the Irish Republican Army.

His attack came after the IRA had declared as "ludicrous" the UK's government's insistence that it should surrender arms as a precondition of Sinn Féin's participation in all-party talks on a constitutional settlement for Northern Ireland.

Mr Major said the IRA's refusal to give up before all-party talks was a "slap in the face to the hundreds of thousands of people in Northern Ireland and the republic" who in the previous week applauded President Bill Clinton's call for a lasting peace.

"The governments of Britain and the Republic of Ireland moved quickly yesterday to prevent the IRA's statement from sabotaging their two-track approach to the peace process. The approach consists of preparatory political talks and a review of the 'decommissioning' of paramilitary weapons by an international body."

After a meeting between Mr Dick Spring, the republic's deputy prime minister, and Sir Patrick Mayhew, chief minister for Northern Ireland in the British government, the two governments urged Sinn Féin to co-operate with the international body, which will start taking evidence in Ireland next week. Mr John Bruton, prime minister of the republic, reminded Sinn Féin that it had "stated that they will speak authoritatively to the interna-



Sir Patrick Mayhew (left) and Dick Spring held talks about the IRA in London yesterday

tionary weapons by an international body."

British government officials were taken by surprise by the IRA's statement, issued late on Thursday night. "Their timing is extremely puzzling," said an official. The IRA accused the British government of seeking to "frustrate movement" to all-party peace talks by erecting

"an absolute barrier to progress with its untenable and unattainable demand for an IRA surrender."

Mr Adams said the British government's position on decommissioning "flies in the face of the international experience of conflict resolution".

Mr Tony Blair, leader of Britain's opposition Labour party, said he hoped the IRA's statement "does not stand, because if it does it puts a great difficulty in the way of the peace process which it is essential to overcome."

## Two-tone £2 aims to foil forgers

By Our Political and Consumer Industries Staff

The Royal Mint will introduce into general circulation by next autumn a two-tone £2 (£2.00) coin and a smaller 50p piece, Mr Kenneth Clarke, the chancellor of the exchequer, announced yesterday. Apart from commemorative issues, it will be the first £2 coin and the highest-denomination British coin of modern times.

A higher-value coin will be part of a world-wide trend, said Mr Tim Waite, head of research and development at Mars Electronics International, the vending machine subsidiary of the chocolate maker. More valuable than a £2 coin are SwFr, DMs and FFrs pieces.

The £2 coin, broader and heavier than the present £1, will have a light-coloured centre and a gold-coloured outer ring. The design is yet to be settled, with the task of choosing the tails-side motif being left to a committee chaired by Prince Philip, the Queen's husband.

The new 50p piece, retaining the distinctive seven-sided shape, will be only slightly smaller than the current coin but markedly thinner.

The £2 coin was welcomed by makers of vending machines, who said it would encourage retailers to stock more expensive items in machines while the dual-metal composition would make forging harder. The number of fake £1 coins has risen in recent years.

Names suggested for the new coin yesterday included twinge, disco, cupla, doubleton and kilo (two pounds in weight is equivalent to almost 1kg).

Joe Rogaly, Weekend FT, Page 1

## Beef prices plunge in 'mad cow' scare

By Deborah Hargreaves in London

Prices of beef cattle plunged by £100 (£154) yesterday at one of Britain's main auction markets where prime bullocks sold for less than £800 each following scares about "mad cow disease".

Mr Tim Brassington, chief auctioneer with Whirledge and Knott at Chelmsford in eastern England, said he had struggled to sell half of the 200 beef cattle he would normally sell at this time of year. "It is the worst thing I've ever seen in

my 30 years as an auctioneer," he said. "Last time the scare came in the middle of the summer, but now it's the height of the beef season."

Meat sales are usually high in the run-up to Christmas, but there are signs that consumers are turning to other meats such as lamb and pork. Mr Brassington said that lamb prices increased by 5p per kg and pig prices by 10 to 15p per kg at yesterday's auction.

The Sainsbury and Tesco retail chains, the largest in Britain, said beef sales had dropped off in the past week.

but not by a significant amount. Britain's Meat and Livestock Commission has already noted a decline of 5 per cent in beef sales and expects them to drop further.

"It spells disaster for a lot of farmers who produce beef specifically to sell this week and next," said Mr Jim Watson at Midland Marts, one of the UK's largest auctioneers.

Farmers were concerned about the latest scare over bovine spongiform encephalopathy and were bitter about what they saw as a media hype. "It's scaremongering of the worst

kind," said Mr Martin Burt, a Yorkshire livestock farmer. "We wonder if there is someone out there who is out to get this industry."

The latest scare over BSE comes as scientists publicly dispute whether it is safe to eat beef. The government has repeatedly tried to reassure the public that British beef is safe to eat. A growing number of municipal authorities have said they will stop using beef in school meals.

Joe Rogaly, Weekend FT, Page 1

## Deadlock persists on telecoms charges

By Alan Cane in London

Telecommunications operators in the UK face a further period of commercial uncertainty after Mr Don Cruickshank, the industry watchdog, said he had been unable to agree important price changes with British Telecom.

Mr Cruickshank had been expected to announce yesterday the charges BT's competitors have to pay in the current year for connection to BT's network for the transmission or delivery of calls. The announcement had already been delayed from September 30. He said, however, the determination would be delayed until January next year after BT disputed the basis of his calculations.

Because BT operates the only universal network in the UK, virtually every call passes through some part of its network. The charges operators pay to BT for this make up a

large proportion of their operating costs and are therefore critical to their commercial strategies.

The delay in announcing new charges will be especially serious because BT has refused to send final bills to its competitors for the years 1992-93 to 1994-95 until the issue is settled. Mr Cruickshank, director-general of telecommunications, said he regretted the delay, recognising that continued uncertainty was undesirable.

The dispute has arisen over the costs included in the calculation of interconnection charges. Mr Cruickshank proposed to exclude costs such as vacant accommodation, the chairman's office, redundancy, restructuring and pensions.

Mr Cruickshank said that rival operators should not be paying BT's "excessive costs". The costs of BT's past inefficiency or for a programme primarily intended to enhance retail profits.

## 'Wrong snow' again halts trains

By Hugh Clayton in London

Chaos on the railways in snow is becoming an English tradition almost as venerable as the changing of the Guard at Buckingham Palace or the rediscovery of the Beatles. The expression "the wrong type of snow", used by a railway official to explain winter chaos about five years ago, has entered popular folklore.

Complaints about the railways go back a long way. The Financial Times reported in December 1895 that customers of the London, Chatham and Dover Railway had convened a meeting to "protest at the habitual unpunctuality of the trains." After a long and lively debate, the paper reported, "the chairman declared the votes 'about evenly divided' and the meeting dissolved in uproar."

An attempt to halt rail privatisation because minimum service standards had been set too low was rejected yesterday by the High Court in London. Mr Justice Macpherson ruled that the franchising director, Mr Roger Salmon, had not acted unlawfully in setting service levels for the soon-to-be privatised train operating companies.

The Save our Railways pressure group, which brought the

UK NEWS DIGEST  
Satellite TV operator claims 5m customers

British Sky Broadcasting, the satellite television operator which is controlled by Mr Rupert Murdoch, claimed yesterday it now has a total of 5m customers. The total covers people who watch BSkyB channels in Britain and Ireland, on cable and satellite in pubs and clubs. Mr David Elstein, BSkyB director of programmes, said yesterday that the 28 Sky channels now reached more than 20 per cent of the British television audience. On Thursday night Mr Elstein announced that more channels were on the way – including an arts channel, an educational channel, a games channel and a computer channel. BSkyB said yesterday it was spending £120m (£184m) on its winter schedule.

Meanwhile UKTV, one of the losing bidders for Britain's Channel 5 broadcast franchise, was last night considering an appeal against a High Court refusal to allow a full judicial review against the Independent Television Commission decision. Mr Justice Dyson refused the consortium, led by CanWest Global Communications of Canada, permission to go to judicial review. Both Virgin Television and UKTV were failed on the grounds that they did not meet the "quality threshold".

Raymond Snoddy, Consumer Industries Staff

## Export information review set

The British government is to mount a review of its export intelligence service to make it more relevant to small and medium-sized companies. The Labour opposition has been pressing for reforms to the service, which it claims spends its time producing "large and generalised reports" of use mainly to large companies.

The EIS is an arm of the Department of Trade and Industry, and gathers information on new selling opportunities abroad. The information is processed into report form by Prelink, a private sector company. Most small companies pay an annual subscription to Prelink of £250 (£385), but Labour trade spokeswoman Mrs Barbara Roche claims they do not get a good deal. "The DTI has the resources to provide the necessary information, and I find it astonishing they choose to help large firms at the expense of small firms."

George Parker, Westminster

## Order for military satellite

Matra Marconi Space is set to win a £100m (£154m) order to build a military satellite for Britain's Ministry of Defence. The Skynet satellite will provide communications for UK armed forces operating in theatres ranging from the Falklands to the Middle East. MMS is already building two new generation Skynet satellites, worth £300m, and will be the prime contractor for building and launching the satellite.

George Parker

## Unions win legal ruling

The High Court yesterday granted a judicial review to three trade unions of the UK government's regulations requiring employers to provide employee representation in cases involving the European Union's acquired rights directive over the transfer of business ownership and collective redundancy directives. The unions – the GMB general union, Unison the public service union and the NASWT teachers' union – are challenging the government's guidance in three areas. These involve the decision to exclude employers where fewer than 50 employees are made redundant; to allow accounts for 96 per cent of redundancies; to allow employers to choose which employee representatives to consult with; and not apply the regulations over dismissal after business transfer to employees with less than two years' service.

Robert Taylor, Employment Editor

## Speaker has sell-off 'concern'

Serious reservations about the government's proposal to privatise the Stationery Office (HMSO), printer of all government documents, have been expressed by Miss Betty Boothroyd, Speaker of the House of Commons. In a letter to Mr Tony Newton, leader of the House, Miss Boothroyd said she had "concerns about the possible consequences of both short- and long-term of privatising a public sector organisation which has in general given good and reliable service to the House". Pointing out that the printing of Hansard, the daily record of debates, and other parliamentary business was "particularly vital to the House of Commons", she said HMSO's overnight printing facility in Inner London was "a costly facility". There must be some anxiety, she said, "that a private sector owner would be tempted to experiment with cheaper methods."

She urged Mr Newton to prevent "fragmentation of the organisation or sale to an overseas buyer" because this "could pose serious, perhaps unacceptable, problems for the House". Her intervention comes when her role has come under unusual scrutiny, following allegations from Tory MPs that she favours Labour in the way she manages parliamentary debates.

Robert Peston

## Store wars on the cards

Tesco, the UK food retailer, has found its Clubcard loyalty scheme gaining favour in unlikely places: rival retailer Asda is offering to redeem the money-off vouchers issued by Tesco to card holders in its own stores.

Tesco has written to the watchdog Advertising Standards Authority complaining that newspaper adverts for the Asda offer, running in seven UK stores, unfairly exploit the goodwill attached to the Tesco brand name. The authority has the power to ban the adverts, but Tesco admits it can do nothing to stop Asda accepting the vouchers. Unabashed, Asda said its Clubcard promotion was so successful it was considering extending it.

Neil Buckley, Consumer Industries Staff

**LESLAY SUMNER**  
0171 573 3308

**BUSINESS OPPORTUNITIES**  
READERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

**25% And Board Control Of**

**CLEAN SHELL COMPANY**

- IMMEDIATELY AVAILABLE
- 600 SHAREHOLDERS
- £45,000 ASSETS (INC. £20,000 CASH)
- NO LIABILITIES

Apply: Box B456  
c/o The Financial Times  
1 Southwark Bridge  
London SE1 9HL

**WEEKEND BUSINESS**

**Home & Office Software**

**CHART WORLD MARKETS WITHOUT MODEMS**  
SnapDragon is the ultimate cost-effective way to chart world markets. Using paper technology - to plot currencies, indices and futures - all for just £140 a month. No dishes. No lines. No hidden charges. No competition.

Call now on 0171 522 2206 Fax 0171 522 0895  
M.D.C., 19/21 Great Tower Street, London EC3R 5AQ.

**UNIVERSAL EXOTICS. OPTIONS, SWAP, YIELD, ZERO-CURVE ADD-INS**  
Additional spreadsheet functions for Financial Markets Professionals using Lotus 1-2-3 and Excel (Windows, OS-2, Mac). European and American style options and warrants on bonds, commodities, currencies, futures and shares.

Prices range from £499 to £2,499.  
FIS - Financial Systems Software  
A Division of FIS Limited  
The Hayes House, 12th Floor  
Merrimans Square  
London EC2M 4HS  
Tel: +44 (0) 171 400 6553  
Fax: +44 (0) 171 400 4102

**FINALLY! REAL-TIME DATA YOU CAN AFFORD**  
STOCKS, CURRENCIES, BONDS, DERIVATIVES AND NEWS

Tentative provides global real-time financial data direct to your PC at the lowest possible cost. Our Windows platform facilitates seamless interfacing with other Windows applications.

Available across Europe  
Call Tentative UK on 0171 485 4541

**CENTRAL SOFTWARE UNIT TRUST SYSTEM**  
Robust Networked Package Recommended by Top Fund Managers Complete Investor Aids

Multi-Currency  
Multi-Lingual Correspondence  
European and Arabic  
High Staff Productivity  
A totally modern economic Platform for I.T. efficiency

John Omond Central Software  
Tel: 01824 624957 Fax: 01824 628703  
881 Nuburn Road, Sales Dept.  
01763 244 256 Fax: 01763 244546

**CENTRAL SOFTWARE RETAIL BANKING SYSTEM**  
Robust Networked Package Selected by five of the largest UK Building Societies Complete Functionality Multi-Currency

Multi-Lingual Correspondence  
On-Line Signature Verification  
A totally modern economic Platform for I.T. efficiency

John Omond Central Software  
Tel: 01824 624957 Fax: 01824 628703  
881 Nuburn Road, Sales Dept.  
Tel: 01763 244526 Fax: 01763 244546

**FOOTWEAR MANUFACTURING COMPANY**  
based in Scotland

Principal features are:-

- \* Blue chip customers
- \* 1995 turnover £6.1m
- \* Significant order book
- \* Skilled workforce available

For further details please apply to Richard Rendle or Colin Gardner at Baker Tilly, Scottish Life House, 154 Great Charles Street, Birmingham, B3 3HN. Tel: 0121-233-2323 Fax: 0121-236-8782.

**BAKER TILLY**  
Chartered Accountants

Authorised to carry on audit work and authorised to carry on investment business by the Institute of Chartered Accountants in England and Wales.

**PROFITABLE (£0.37M NPT) DISTRIBUTOR OF CAPITAL EQUIPMENT & SUPPLIES TO CONSTRUCTION INDUSTRY**

Respondents should provide details of themselves and their resources and state whether they are principals or brokers.

Write to Box B4167, Financial Times, One Southwark Bridge, London SE1 9HL.



## Laporte shares drop 22% after warning

By Motoko Rich

Laporte lost nearly £300m of its market value yesterday as the speciality chemicals company warned that 1995 profits would fall 10 per cent below last year's mark.

It also announced £35m in exceptional charges for restructuring and asset write-downs.

The shares plunged 22 per cent from 78p to 61p. After only nine weeks as chief executive, Mr Jim Leng, former chief of Low & Bonar, the packaging group, announced an aggressive rationalisation plan and said he was introducing "greater disclosure" within the company.

He said the forecast decline in pre-tax profits - last year they rose to £123.5m (£107.4m) - was prompted by a downturn in some of its markets, including construction, bulk polymers and water technology. Trading conditions in Australia and South America were

also poor.

City analysts, who had been expecting 1995 pre-tax profits to rise to £140m, were shocked at the severity of the warning. "They have given no past indication that the pressures on trading have been anything like this," said one analyst. "I accept trading conditions are difficult but I am amazed profits are falling this much."

Mr Leng, who was chief executive for only five weeks when Mr Ken Minton, chairman and former chief, retired, said the £35m exceptional charge would include £50m for restructuring, £30m for asset write-downs and £5m on the write-back of goodwill following four disposals made in 1995.

The company is likely to close about 10 per cent of its near 100 plants, cutting hundreds of jobs.

Mr Leng said the cash element of the exceptional charge was £30m, which would be paid for by disposals and property sales. It is understood the group is considering disposing

of about 20 per cent of its businesses.

The group said profits would be further depressed by a £2.5m reduction in pension credits and £1.5m in non-trading revenues resulting from the group's 1993 withdrawal from a joint venture with Solway, the Belgian chemicals company.

Interest charges would rise by £5m following an £80m capital expenditure programme and £50m spent on acquisitions during the year. Net debt would be £190m, giving year-end gearing of about 60 per cent and interest cover of around eight times.

One analyst, who scaled back his 1995 pre-tax forecast to £112m said: "I do not think that all of the fall in profits relates to a sudden downturn in the third quarter. There is obviously an element of clearing the decks."

Mr Leng and his wife yesterday purchased 5,800 shares each at 62p to deposit into their PEP accounts.

## Rising input costs cause chain reaction

Speciality chemicals companies are seeing results hit by a number of problems. Motoko Rich reports

Yesterday's profit warning from Laporte, the speciality chemicals company, may have confounded analysts with its severity.

But in industry terms, it confirmed what other companies have been saying: trading conditions have deteriorated throughout 1995.

Whether it has been weak underlying demand, rising raw material prices or destocking as customers run down stocks acquired as an insurance against these increases, the news has not been particularly good for the speciality sector.

Earlier this week Allied Colloids blamed swinging raw materials price rises for a 16 per cent decline in interim pre-tax profits. And BTP, although reporting higher interim profits, said raw materials price rises led to a 33 per cent profit slump in its adhesives and textile coatings business.

Last month, Courtaulds, one of the sector's largest companies which this week announced a management reshuffle, said sharp variations in bulk chemicals prices caused a 16 per cent decline in pre-tax profits.

Commodity prices began climbing in the second half of

1993 and early part of 1994 following a worldwide upturn in demand and a simultaneous squeeze on supply.

As raw material prices rose, manufacturers tried to pass on some of these increases but sluggish demand has meant that those close to the retail chain have found it difficult to push through substantial increases.

Mr Philip Lowe, chairman of Yorkshire Chemicals, which makes textile dyes, said: "In the markets we service our customers have not been prepared to consider an increase in price." Companies which have raised their prices have risked damaging demand.

Courtaulds, for example, said that passing on raw material costs had dented sales volumes by pricing its fibre products "out of the market".

"If you push your price too high to get your margin up to 15 per cent, you could lose your business, and 15 per cent of nothing is nothing," said Mr Gordon Senior, finance director at Allied Colloids.

Underlying demand in many developed economies, particularly Europe and the US, has also been weak, as have the construction, housing and furniture markets. This has

affected companies like Laporte, which makes chemicals for the construction industry, Yorkshire Chemicals, which sells its dyes to the housing and furniture industries and British Vita, which makes foam products, also used in furniture.

Many companies are now reporting that raw materials prices have flattened, and in some cases, have fallen dramatically. Mr Senior said the price of methanol, one of the group's main raw materials, rose from a base index price of 100 to 450 and came back down to 100 between late 1994 and the present.

"We believe prices have peaked," said Mr Senior. "Some are definitely on the downward trend."

While this may provide some relief, customers, seeing the fall-off in input costs, could demand price cuts of their own. "So just as the chemical groups are starting to recover their own margins they may have to cut prices and could lose margins that way," said an analyst.

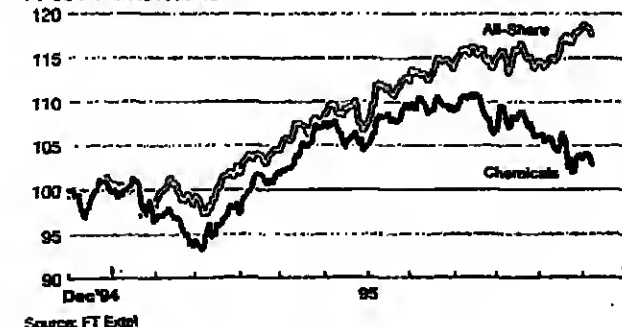
Another consequence of the recent raw material price surge is that customers are destocking the products they bought as prices were rising. "Destocking has been the single biggest factor affecting the third quarter performance of chemical companies," said an analyst. "The customers have simply disappeared."

However, according to Mr Richard Freeman, chairman of the Chemical Industries Association economic committee, "destocking is coming to an end and we should start to see markets pick up around now and into the new year."

He added: "It has been a remarkable year, with its ups and downs, and some slow recovery is beginning to show through."

### UK chemicals

FT-SE-A indices rebased



Source: FT Data

## Singaporean stake sale helps Courts to £8.87m

By Patrick Harverson

Courts, the furnishings retailer, reported a sharp rise in interim pre-tax profits, helped by the proceeds from the sale of part of its stake in a Singapore subsidiary.

Despite the sale, the group said it was committed to further expansion overseas.

Net profit of £4.8m on the disposal lifted pre-tax profits from a restated £3.05m to £8.87m in the six months to October 1.

Excluding the exceptional credit, however, profits fell almost 10 per cent to £4.06m on turnover of £137.2m (£124.3m).

The results were better than expected and the shares edged up 10p to 74p.

Courts said the pattern of trading in the first six months - healthy growth of overseas business but poor growth in the UK - was likely to be repeated in the second half.

However, the group said there was still potential for recovery and expansion in the UK market, and it had already noted signs of a slight improvement in domestic trading in the early months of the second period.

Weak demand in the UK lowered turnover 2.4 per cent from its 87 stores to £52.1m. Expansion at home is planned for

next year, with new outlets being opened in several UK cities plus one in Dublin.

Overseas turnover, buoyed by particularly strong growth in south-east Asia, jumped 20 per cent to £55.1m, or 53.6m if the contribution from associate companies in Guyana, Trinidad and Indonesia are included.

The recent purchase of the outstanding 50 per cent interest in the Guyana operation meant that in future the business would be treated as a wholly owned subsidiary.

Earnings per share were 20.89p (11.1p), or 4.87p excluding the exceptional credit. The interim dividend is increased to 2.1p (2p).

## Country Casuals resilient

By David Blackwell

Shares in Country Casuals, which this week successfully fought off a hostile 140p a share cash bid, closed yesterday at 137p.

The price compares with 115p at the beginning of October just before the £26.8m bid was launched by Mr John Shannon, a former chief executive of the women's wear group.

Mr Shannon remains the biggest shareholder with 15.8 per cent. During the battle for the company he offered to sell his shares

at 140p if his bid failed.

Ms Penny Freer, small companies analyst with Credit Lyonnais Laing, said that shareholders were more comfortable with the stock following the information flushed out from Country Casuals by the offer.

The group yesterday said that like-for-like sales at its core brand shops were 13 per cent higher in November.

A fuller indication of the group's performance in the year to January 27 will be made in a new year trading statement.

## Forte forecast at top of City expectations

By Scheherazade Denechère, David Wighton and Raymond Snoddy

Forte, the hotels company fighting off a £2.2bn hostile bid from Granada, yesterday issued a defence document forecasting a 48 per cent rise in underlying pre-tax profits to £185m in the year to January 31 1996. This was at the upper end of analysts' forecasts.

It said that under new management, put in place by Sir Rocco Forte since he became chairman in 1992, the company's profits had trebled and cashflow had been rebuilt.

Sir Rocco said the bid, launched over two weeks ago by Mr Gerry Robinson, Granada chief executive, was inadequate. "Coming at an early stage of the cyclical upswing, it is an attempt to acquire on the cheap the value the new management team is creating."

Forte's less-than-sparkling share price performance had been because "the market has not understood the general situation in relation to cyclical recovery and the potential of our performance - Mr Robinson has."

Sir Rocco once again urged shareholders to reject the bid which he said had "no commercial logic".

On Tuesday, Granada shareholders will meet to vote on



Keith Hamill, left, with Sir Rocco Forte and Sir Anthony Tennant, deputy chairman

whether the bid should go ahead. The company said it expected "overwhelming support" from shareholders.

It also dismissed yesterday's 1p fall in its shares to 634p. "Share prices always fluctuate during a bid," it said.

Analysts pointed out, however, that excluding the 7.5p final dividend, the shares are

now close to 625p, the level at which £1.8bn of Granada shares have been underwritten to provide the cash alternative.

"We are the offer to be raised, the underpinning might have to be at a lower price, further increasing the cost to Granada," said one analyst.

Mr Keith Hamill, Forte's finance director, said it was

time to destroy the myth that hotels did not generate cash. Operating cashflow was recovering strongly and would "comfortably" exceed dividend payments after £175m of investment in capital programmes. The hotels business this year was generating net cashflow of more than £100m.

Forte said the option of selling hotel properties while retaining management contracts was fast becoming an attractive one as the hotel market strengthened.

Granada's Mr Robinson said he was "deeply underwhelmed" by the Forte defence document. "We had a team of people standing by to respond. They've gone. There's nothing weighty to respond to." He added that Sir Rocco had concentrated on the company's performance since 1992 when he took over the chairmanship.

"He was chief executive for 12 years before that," said Mr Robinson, adding that action could have been taken to improve the Little Chief chain before now.

Granada also argued that Forte's profit forecast was slightly below market expectations of six weeks ago and that in the document little was said about the capital structure of the Forte defence plan.

Granada decided against rushing out a formal statement to shareholders last night but will be sending an analysis of the Forte position to them in the next few days.

See Weekend, page XXIII

## A tireless friend returns in time of need

By David Blackwell

If Forte succeeds in fighting off the Granada bid, Mr Roberto Mendoza of JP Morgan will be able to claim that he has twice ridden to the Forte family's rescue.

Mr Mendoza has been brought in as "strategic adviser" by Sir Rocco Forte. His two were boyhood friends at Eton, the school where both were educated, and were also together at Oxford.

In 1971 he played a crucial role in helping Lord Forte fight off the bid from Allied Breweries. Lord Forte needed to borrow £2m over a weekend, and was able to get hold of the bank's

chief executive through his son Rocco's friend.

Lord Forte wrote in his autobiography: "Admittedly Mendoza did some very good business for himself that evening. But I was still flattered by his prompt answer to my request."

Mr Mendoza, the son of the former Cuban ambassador to London, was born in Havana in 1945. He joined Morgan in 1967 after graduating in history from Yale.

After five years he left to take an MBA at Harvard Business School, but returned to the bank, where he rose rapidly. Between 1985 and 1990 he was in charge of Morgan's mergers and

acquisitions division.

Mr Mendoza, vice chairman and a director since 1990, is credited with driving the US commercial bank's forays into investment banking. Morgan is among the top 10 investment banks in Europe and has had a particularly good year.

He appears to have survived the Banco affair without much damage to his reputation. He was responsible for the bank's £16m (£10m) investment in Banco, Spain's fourth largest bank. At the end of 1993 the Bank of Spain took control of Banco to prevent a run on its deposits. Mr Mendoza had been on the board only a few months.

Mr Mendoza, once an amateur boxer, says shy of publicity. Those who know him say he is tireless in pursuit of his clients' objectives, and has a good grasp of the overall strategic picture in any campaign.

He will be working with a cluster of advisers from SBC Warburg, Morgan Stanley, DBS and Cassin. Forte yesterday rushed out a formal statement to shareholders last night but will be sending an analysis of the Forte position to them in the next few days.

"We welcome lots of advice and ideas," it said. "We are taking the minimum number of people out of the frontline business because we see big opportunities for profits."

## Amec pins hopes on profits surge

By Andrew Taylor, Construction Correspondent

Amec, the UK construction group, yesterday pinned its hopes of remaining an independent company on prospects of a big pre-tax profits rise in 1996.

The British group, which yesterday published its defence document, is facing a £300m hostile bid from Kvaerner, the Norwegian shipbuilding and engineering group.

Amec also signalled that it would be prepared to sell its UK housebuilding subsidiary when the housing market improved, and take steps to reduce the large number of its preference share holders.

Its principal defence against Kvaerner's offer of 100p for each ordinary share, however, is that the bid terms undervalue the profits recovery potential of its offshore oil and gas fabrication division.

Figures in the defence document imply that group pre-tax profits next year could rise to £35m-£40m without any underlying improvement in Amec's various markets. The group is forecasting unchanged pre-tax profits of £20m in the current year.

The document says profits this year will be held back by £11.6m of costs associated with problems on the Tiffany oil platform contract which were finally resolved in September.

Profits will also be reduced by a £2.9m loss at the Newcastle offshore fabrication facility, which Amec says should return to profit next year following the recent signing of a new labour agreement which will reduce costs at the yard by 30 per cent.

The absence of further Tiffany costs and a return to the black at Newcastle would lift profits to approaching £40m, assuming a neutral performance by the rest of the group's businesses.

Mr Peter Mason, who currently heads Balfour Beatty, the construction arm of BICC, and who next year joins Amec as chief executive, said: "The offer from Kvaerner is inadequate and takes no account of the recent rationalisation and improvements which have been paid for by Amec shareholders and who will not be able to reap the benefit if this bid succeeds."

Kvaerner, which has criticised Amec's management for failing to meet previous forecasts, said the British group's weak balance sheet would continue to hinder its efforts to win greater share of international construction and engineering work.

Dividend payments to Amec ordinary shareholders had not been increased since they were cut by two thirds in 1992, said Mr Erik Tonseth, Kvaerner's chief executive.

## Devro outlines Teepak funding

By Geoff Dyer

Devro International, one of the world's leading producers of sausage casings made from collagen, outlined yesterday its funding plans for the £135.5m (£98.5m) acquisition of Teepak International, which was originally announced in March.

Scotland-based Devro had been waiting for Wednesday's clearance from the US Federal Trade Commission for the purchase of Teepak, a privately-owned US meat casing manufacturer.

The acquisition, which will triple the group's turnover, stems from Devro's strategy to expand its activities in casings, rather than develop more collagen products.

In line with its initial plans, Devro intends to raise £31m to fund the cash part of the acquisition from a placing and 1-for-10 open offer at 230p, underwritten by Charterhouse Bank.

Devro's shares closed yesterday up 12p at 251p.

Teepak's owners, Hillside, a group owned by Mr John Irwin III, will also receive 10.4m ordinary shares and \$52.3m of convertible preference shares.

Devro has arranged a £190m debt facility with First National Bank of Chicago to refinance Teepak's debt and to provide working capital.

In the year to September 30, Teepak increased pre-tax profits to £20.1m (£13.9m) on sales of £229.4m (£212.5m).

Mr Graeme Alexander, Devro's chief executive, said that group sales had continued to increase since the year-end.

## Fullers' free trade flavour



Anthony Fuller, chairman, (left) with Michael Turner, managing director

By Roderick Oram, Consumer Industries Editor

Fuller Smith & Turner, the west London brewer, reported a 22 per cent rise in interim pre-tax profits from £4.15m to £5.08m reflecting sharply higher free trade and take-home sales.

Against a national beer market up about 2 per cent, Fuller's beer production rose 5 per cent despite some switch to lager during the summer.

Free trade barkeage rose 17 per cent to account for about

56 per cent of total volume. Of the free trade, take-home sales more than doubled as the company began to build up a line of business it had allowed previously to languish.

Exports, mainly to the US, were down 28 per cent because of shipment delays.

Profits from its own pubs were up 14 per cent, from free trade by "substantially more" than 17 per cent, and from hotels by 73 per cent.

The USM-traded group is expanding its pub estate through at least six new sites

south of the Thames, subject to planning and licensing consent. It added six pubs in the previous financial year.

Turnover from continuing operations in the six months to September 30 rose 12 per cent to £44.3m and strong cash flow helped reduce gearing from 3 per cent to 1 per cent. The pre-tax line included a £50,000 gain on property disposals against a loss of £41,000 last time.

Earnings per A share were 13.88p (11.88p). The interim dividend is raised 10 per cent to 2.50p.

## NRA head to join Yorkshire Water

By Christopher Price

Yorkshire Water, the embattled utility, yesterday appointed Mr Kevin Bond as managing director of its main water operations business.

Mr Bond is currently chief executive of the National Rivers Authority and his appointment might be seen by some as an attempt by Yorkshire to bolster its image at a time when it is under pressure over water shortages in its area. He will take up his post in April.

Mr Margaret Stewart, director of corporate affairs, denied Mr Bond's appointment was a result of the public criticism - aired most recently in last week's BBC Panorama - of the group's provision of water supplies. "The appointment is part of a management restructuring programme which was started two years ago," she said.

Mr Bond succeeds Mr Tony Ward, who is to retire. The running of the water business, Yorkshire Water Services, involves supplying water and sewage services to 4.5m customers and overseeing the company's £1.5bn five-year investment programme.

## Self Sealing Systems for Airm

Self Sealing Systems, which has developed a technique to make self-sealing latex balloons, is coming to the Alternative Investment Market in a £1.2m placing.

Turnover, which this year will be about £16,500, is forecast to increase to £4.1m within three years. Losses of £1m this year are forecast to turn into profits of £2.2m during the same period.

The company intends to sell and license machines which convert ordinary balloons into self-sealing products - to established manufacturers and distributors.

### RESULTS

|                       | Turnover (£m)      | Pre-tax profit (£m) | EPS (p)       | Current dividend (p) | Date of payment | Dividends in arrears (£m) | Total for year | Total for year |
|-----------------------|--------------------|---------------------|---------------|----------------------|-----------------|---------------------------|----------------|----------------|
| Decca                 | 6 mths to Oct 1    | 137.2 (124.3)       | 5.57p (5.05p) | 20.89 (11.1)         | 2.1             | Apr 12                    | 2              | 7.125          |
| Crown Equipment       | 6 mths to Sept 30  | 4.7 (3.45)          | 0.285 (0.336) | 15.3 (14)            | 4               | Jan 9                     | 3.5            | 10.5           |
| Fuller Smith & Turner | 6 mths to Sept 30  | 44.3 (42.8)         | 0.508 (4.18)  | 13.88 (11.88)        | 2.52            | Jan 18                    | 2.85           | 8.375          |
| Landis                | 6 mths to Oct 31   | 12.4 (11)           | 0.488 (0.384) | 14.5 (13.1)          | 1.5             | Mar 15                    | 1.5            | 14.5           |
| Raytheon              | 12 mths to Sept 30 | 199.2 (171.6)       | 9.22p (8.11)  | 3.6 (1)              | 1.5             | Mar 15                    | 1.5            | 14.5           |
| Swan (John)           | 6 mths to Oct 31   | 0.888 (0.778)       | 0.279 (0.183) | 31.1 (21.6)          | 1.5             | Mar 15                    | 1.5            | 14.5           |
| Synovate              | 6 mths to Sept 30  | 25.7 (20.8)         | 1.75 (1.41)   | 6.77 (4.78)          | 1.8             | Feb 9                     | 1.71           | 5.3            |
| Tennant (John)        | 6 mths to Sept 30  | 13.2 (12.2)         | 0.314 (0.294) | 0.79 (1.5)           | 1.8             | Jan 11                    | 1.6            | 4.01           |
| Widener               | 12 mths to Sept 30 | 161.5 (170)         | 8.14p (1.48p) | 31.8 (32.1)          | 12.25           | Mar 15                    | 9.8            | 16.88          |
| Investment Trusts     |                    |                     |               |                      |                 |                           |                |                |
| British Smelter       | 6 mths to Sept 30  | 143.3 (187)         | 0.778 (0.387) | 1.24 (0.54)          | 1.24            | Mar 15                    | 1.24           | 14.3           |

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. \*Comparatives restated. \*\*After exceptional charge. \*\*\*After exceptional credit. \*\*\*\*Increased capital. \$USM stock. \*Comparatives for six months. \*\*44p currency. \*\*\*US currency.



## COMPANIES AND FINANCE

# Contemplating a future beyond asbestos claims

Tim Burt on T&N's battles through the courts

The long distance call came through just as the directors of T&N were about to start dinner with their bankers at London's Stafford Hotel. Mr Colin Hope, T&N chairman, answered the phone knowing the news from New York could determine the company's City reputation and financial future.

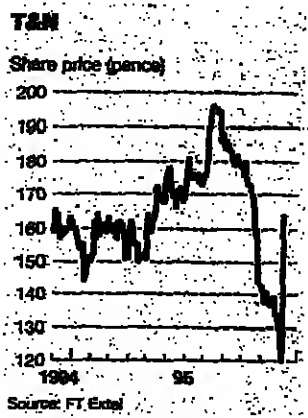
After eight years of legal struggle with Chase Manhattan Bank, he learned that a US jury had decided T&N had not defrauded the bank by supplying asbestos knowing that it was a potential health hazard.

Yesterday T&N's shares closed up 55p at 185p, having touched 175p at one stage, and recovering some of the ground lost amid City fears that T&N would never fully escape its past as the world's largest asbestos producer outside the US.

That legacy, which prompted thousands of personal injury claims and property actions, has cost the group some £500m in out-of-court settlements in the past 10 years.

Victory over Chase and the dismissal of the bank's £185m (£117m) lawsuit could signal the beginning of the end of those liabilities. For Mr Hope it also justified the strategy of expanding away from asbestos into specialist engineering, thereby generating enough profits to meet outstanding asbestos costs.

T&N was almost alone in pursuing such a course. Many of the world's other large asbestos producers - including Eagle Picher and Johns Manville - filed for bankruptcy when the full potential of the asbestos costs became clear.



Source: FT Data

T&N, which still mines asbestos in Zimbabwe and continues to sell the product in east Asia, says there would have been no compensation payments had it opted for receivership rather than trading away from the problem.

That all sounds laudable. But the cost to investors has been high. In the past year they have seen T&N's shares fall from 197p to 119p. In addition their holdings have been diluted by a series of rights issues to finance acquisitions - deals that helped the company establish a steady stream of non-asbestos earnings.

The costs to some of T&N's employees have been higher still. According to evidence brought by Chase Manhattan, hundreds of employees contracted asbestosis and mesothelioma from being exposed to asbestos dust. Solicitors acting for residents near the group's former asbestos factory at Armley in Leeds claim that health risks were shared by the neighbourhood.

Crucially, however, T&N says a recent High Court judgment showed it could not have been aware of the dangers and had a duty of care only to its own employees. If so, its future liability in the UK should not exceed about £5m a year for the foreseeable future.

In the US, meanwhile, the group has secured an important class action agreement fixing the level of payments to alleged asbestos victims. The so-called Georgios settlement should further reduce the group's liabilities over the next five years.

Mr Hope, nevertheless, remains cautious. The Georgios settlement is the subject of an appeal and the group still expects further personal injury claims in the UK. But success against Chase, which may yet decide to appeal, could be the last multi-million dollar suit that the company has to tackle.

However, the full benefits will not emerge for at least two years. Profits this year and next are likely to be dented by £50m of asbestos-related costs. After that, all being well, T&N should see the drain on its balance sheet begin to fall away.

That would free the group to concentrate on its profitable engineering businesses, which underpinned increased first-half operating profits of £120.1m (£80.2m) and offer the prospect of rebuilding shareholder value.

"We now believe we are over the peak," says Mr Hope. "T&N is not saying asbestos is finished, but we now have a great deal of confidence that the worst is behind us."

T&N's insurance cover was also limited. At the same time, the policy claims more worrying to insurers are those from damage to individuals, rather than property.

Such claims have been a bane for many years, prompting insurers to increase reserves. In the US, thousands of cases have been settled in mass trials or out of court. To that extent asbestos liabilities are regarded by the stock market as a known quantity.

A study led by Professor Julian Peto of the Institute of Cancer Research, stated that the UK had an epidemic of asbestos-related disease that would kill 3,000 this year.

## Electricity groups set to pay special dividends

By David Wighton

East Midlands Electricity and Southern Electric are expected to announce special dividends for shareholders totalling up to £400m (£615m) when they report their half-year figures next week. Analysts expect East Midlands to reveal a special dividend of about 100p per share with some predicting a similar payment from Southern.

Other regional electricity companies have already announced about £800m of special dividends after agreement in principle on the £3.5bn demerger of the National Grid, the electricity distributor which they currently own. The Grid owns the main transmission network in England and Wales.

The groups yesterday received formal approval from their shareholders for the demerger to go ahead. More than a million private investors will now get shares in the Grid, which start trading on Monday. The price of the companies' shares will fall to reflect the value of the Grid shares being distributed.

As part of the demerger, the Grid is paying a special dividend to the regional electricity companies. The Grid shares, which professional investors have been trading on a conditional basis, closed at 209p yesterday, valuing the company at £3.5bn.

Analysts are divided over the likely level at which the shares will trade on Monday. Some predict a price in the range of 220p to 230p but others believe the price will be depressed by the threat of reality of any sell-off.

Almost half the shares are owned by Hanson, Scottish Power, North West Water, Southern Company of the US and Southern Electric of the UK. Southern Electric decided not to distribute Grid shares.

Under the demerger terms, all five are required to sell their holdings within 12 months. There was speculation yesterday that one was preparing to place some or all of their stake with institutions next week.

The price at Monday's close will determine the capital gains tax liability for the electricity companies and the tax payment or rebate faced by shareholders.

## Ferfin meeting approves cash call

By Robert Graham in Rome

Mediobanca, the powerful Milan merchant bank, yesterday won its battle to push through a controversial £63bn (£596m) capital increase for Ferruzzi Finanziaria (Ferfin), the Italian holding company.

However, in so doing Mediobanca alienated several big shareholders who were opposed to the handling of the operation by Mr Enrico Cuccia, the merchant bank's veteran chairman.

The divisions provoked by Mr Cuccia's ambitions to take control of the business empire of the Ferruzzi family, which collapsed in 1993, represent the most serious public split

within Italy's banking and financial community in recent years.

At yesterday's extraordinary shareholders' meeting in Milan the increase was approved by holders of 45.7 per cent of the capital and opposed by shareholders of 20.5 per cent.

The opposition came from important members of the banking community - the most notable being San Paolo di Torino, Banco di Sicilia, and Montepaschi. The Milan-based Cariplo, Italy's largest savings bank, also marked its distance by refusing to attend the meeting.

The final vote count showed that Mediobanca's contribution was not necessary for the 33

per cent required to win approval. Mediobanca had on its side 39 Italian banks - including Comit, Credito and Banca di Roma - plus 16 foreign banks and 21 Italian investment houses.

Lawyers representing San Paolo at the meeting hinted the bank might challenge the result in the courts.

One of their main arguments was that Mediobanca, with 9.95 per cent of the stock - mostly acquired in October raids - could not take part in the vote.

These shares were bought up after the failure of the plan to create "SuperGeminia" - a conglomerate which was to have been formed from Ferfin's big industrial group Montedison,

plus chemical and other non-automotive assets of Fiat.

San Paolo lawyers also insisted that Mediobanca, having acquired a controlling stake in Ferfin in its October raids, should be obliged to make a formal offer for all outstanding stock. But those at the meeting described the atmosphere as "sober" and "restrained".

Mr Enrico Biondi, Ferfin's chief executive, said the capital injection would allow £170bn to recapitalise Fondiaria, the insurance subsidiary, and £100bn to repay medium-term debt.

The remaining £63bn would cover £300bn of short-term bank exposure and cash needs.

## Citicorp parts from vice-chairman

By Richard Tomkins in New York

Citicorp, the US banking group, yesterday announced it had parted company with one of its top executives - Mr Christopher Steffen, who was promoted to vice-chairman at the beginning of the year.

He has been replaced with immediate effect by Mr Victor Menezes, who has been named chief financial officer. Mr Menezes had previously been executive vice president in charge of the group's branch banking operations in North America and Europe.

Mr John Reed, Citicorp's chairman, said: "The results of the past several years have evidenced great progress in the company's development, but there is more to do. We need to strengthen our focus on delivering performance, including productivity programmes and our cost/revenue profile."

Mr Steffen is a noted cost-cutter who was brought in by Citicorp in 1993 to oversee the bank's financial controls and operations.

He had previously worked at Eastman Kodak, but left after a row with Kodak's chief executive about how quickly to proceed with a cost-cutting plan.

At Citicorp, Mr Steffen participated in job cuts running into tens of thousands. He also brought new management techniques to the company such as benchmarking - measuring the group's performance against those of other banks.

Mr Steffen's promotion from senior executive vice-president to vice-chairman in January had appeared to signal approval of his work. It also appeared to make him a possible successor to Mr Reed as chairman.

Citicorp yesterday offered no explanation for Mr Steffen's unexpected departure, and said Mr Steffen was unavailable for comment because he had left for the day. "There is no indication of a row whatsoever. It was a perfectly amicable set of decisions," Citicorp said.

Mr Reed said: "Chris (Steffen) has helped us importantly over the past three years and introduced many of the disciplines of an industrial company to Citicorp. We thank him and wish him well."

Mr Reed said Mr Steffen's successor was an international executive with both consumer and corporate banking experience.

## Electronics rivals fix video disc format

By Michio Nakamoto in Tokyo and Alice Rawsthorn in London

Nine of the world's leading consumer electronics companies have agreed a common format for digital video disc (DVD) systems, which are expected to be among the best-selling electronics products of the late-1990s.

The agreement ends months of negotiation over the technical specifications for DVD, which can be used for data storage, watching videos and playing music.

The industry, which is suffering weak demand and fierce price competition, sees the versatile new product as its main

hope of revitalising a sluggish market and of making inroads into the buoyant home computing sector.

However, until yesterday's agreement, the prospects for DVD were clouded by the threat that Japan's Sony and Philips of the Netherlands, two of the world's largest electronics groups, would trigger a "format war" by introducing a different system from the rest of the industry.

The final specifications represented a setback for Sony and Philips, which were forced to accept many aspects of the technology proposed by their rivals, led by Toshiba.

They also lost their lobby to include the letters "CD" in the

new product's name - thereby positioning the new discs within the extended family of compact disc products, a technology originally developed by Sony and Philips.

However Philips said yesterday it was relieved the industry had finally reached agreement over a single format. The Dutch company plans to launch its first DVD products, which will be read-only memory drives for computer applications, by the end of 1996. It hopes soon afterwards to introduce the first consumer systems for playing films.

Japanese groups, such as Toshiba and Matsushita, are also aiming to put their first products on sale next autumn.

However they are likely to launch their products in Japan first, followed by North America and Europe.

Most manufacturers suspect that the yen's effect on the Japanese groups will mean the first DVD consumer systems will have to be priced at more than the \$600 that had been hoped for in order to establish them as mass market products.

BZW Securities in Tokyo estimates that DVD sales will reach ¥155bn (£1.53bn) in 1996, rising to ¥2,025bn by 2000. However, some analysts believe the absence of a recording function, which was a big selling point for video cassette recorders, could inhibit sales of consumer DVD systems.

## Insurers have reason to cheer

By Ralph Atkins, Insurance Correspondent

For insurance companies, which have over the years borne the cost of US and UK asbestos-related claims, T&N's victory against Chase Manhattan Bank's £185m legal suit was reason to cheer.

"It is important psychologically because the numbers in such cases are so big. It is important that they are seen to be defensible," said an insurance executive. "It must come as a welcome relief to Lord's Names, although I don't know if they were involved in this case."

Mr Robin Jackson, chairman

of the London market asbestos working party said: "It sends a message that, just because the word 'asbestos' may be used in the litigation, it doesn't guarantee you success."

Beyond the immediate sighs of relief, however, it is unclear whether the latest ruling will have much effect on the overall liabilities insurers have faced from asbestos and related diseases.

The Chase case was to some extent a "one-off" because it was about property damage; Chase claimed T&N was fully aware of the potential dangers of asbestos when it installed the material during the construction of Chase Plaza.

T&N's insurance cover was also limited. At the same time, the policy claims more worrying to insurers are those from damage to individuals, rather than property.

Such claims have been a bane for many years, prompting insurers to increase reserves. In the US, thousands of cases have been settled in mass trials or out of court. To that extent asbestos liabilities are regarded by the stock market as a known quantity.

A study led by Professor Julian Peto of the Institute of Cancer Research, stated that the UK had an epidemic of asbestos-related disease that would kill 3,000 this year.

## Ransomes seeks £37m to cut debt

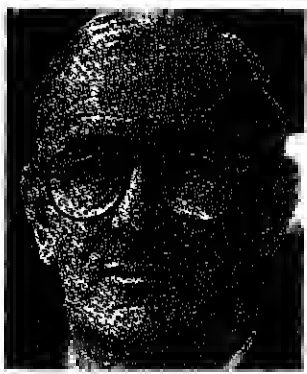
By Geoff Dyer

Ransomes, the manufacturer of grass-cutting equipment, is raising a net £37.3m through a rights issue to pay off the huge debts it built making acquisitions in the 1980s.

The group also announced a strong increase in annual pre-tax profits and signalled its return to the dividend list for the first time since 1991 at next year's interim.

The long expected 1-for-1 rights issue, underwritten by NatWest Markets, is priced at 48p, a 25 per cent discount to yesterday's unchanged closing price of 64p.

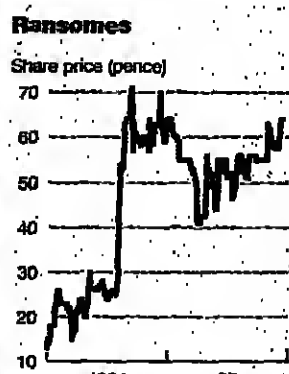
Mr John Clement, chairman, said the rights issue would make "a mammoth difference" to the group's financial position. Gearing, which had been 750 per cent two years ago, would be reduced to 59 per cent.



John Clement: rights will make 'mammoth difference'

Ransomes' problems stemmed from the £150m (£55m) acquisition of Cushman Group in the US which left it with high levels of debt when the recession hit in the early 1990s.

The proceeds will be used to reduce borrowings, which



Source: FT Data

stood at £103.9m at September 30, and to pay off the £24m outstanding convertible preference dividends.

The group has also renegotiated its banking arrangements. After the rights issue, it will have access to a £60m five year facility at 0.75 percentage

points over Libor, compared to the interest rate margin of 2.25 it has faced on some of its borrowings.

Pre-tax profits in the year to September 30 of £9.22m, compared to £6.11m in the previous nine months, were struck after a £1.67m penalty payment for the early redemption of the group's US loan notes. Turnover was £180.2m, against £131.6m.

The otherwise strong performance was held back by poor management at the group's Plymouth plant, where late production led it to miss out on pre-summer demand. Consumer division profits were £500,000, down from £34m, on turnover lower at £44m, compared with £51.3m.

Group earnings per share advanced to 3.6p (1p). The group hopes to pay a interim dividend next year of not less than 0.5p.

### NEWS DIGEST

#### Unidare recovery continues

Unidare, the Dublin-based engineer, built upon its first half recovery to announce full-year pre-tax profits of £28.14m (£8.3m).

The outcome for the 12 months to September 30, achieved on turnover of £131.5m (£108.2m), compared with a deficit of £1.46m last time and was struck after a net exceptional gain of £107,000 (£7,58m charge).

Disposals made during the year eliminated borrowings and left net cash amounting to £3.12m.

Earnings per share were 31.8p (losses of 8.32p); a final dividend of 12.33p lifts the total to 16.86p (14.3p).

Tams setback  
As foreshadowed in a trading statement last month, John Tams delivered interim results "both disappointing and below expectations".

The shares, which dived 14p

following the warning, gave up another 3p yesterday to 58p.

This group, one of the UK's largest manufacturers of coffee mugs, also takes in the Royal Grafton and Duchess bone china brands.

Mr Gerald Tams, chairman, said losses in the bone china side lay behind the pre-tax profits fall from £563,000, struck after an exceptional charge of £190,000, to £314,000 in the six months to September 30.

Turnover improved 9 per cent to £13.3m and, despite a slowing in European retail sales, exports now account for 51 per cent of the total.

Moves to reduce the bone china cost base being implemented by Mr Rob Yates, who was appointed chief executive in September, will result in the closure of two manufacturing sites and an expected exceptional charge of about £1.3m in the second half.

Earnings per share dipped to 0.79p (1.5p) but the interim dividend is maintained at 1.6p with Mr Tams again waiving the distribution in respect of his controlling stake in the company.

#### LBMS recovers

Learmonth & Burchett Management Systems showed the benefits of changing its strategy to become a US-based software company by reporting interim pre-tax profits of £496,000, despite an exceptional charge of £296,000.

Last time there were losses of £3.28m after a charge of £2.4m.

The company, quoted on the USM and Nasdaq following its £12.5m (£8.13m) offering in November, said it was seeing strong growth in the US.

Turnover in the six months to October 31 was £12.4m (£11m). Earnings per share were 1.8p (13.7p losses).

In the three months to the end of October pre-tax profits were £249,000 (£59,000 losses) on turnover of £6.56m (£5.88m).

Earnings per share were 1.8p, against losses of 18.7p.

#### Crown Eyeglass

New store openings in Sweden helped Crown Eyeglass, the USM-quoted spectacles maker, lift pre-tax profits by 9 per cent from £336,000 to £366,000 in the half year to September 30.

Turnover grew by 29 per cent to £4.47m. Mr Joseph Lee, chairman, said that in addition to the 68 Crown Optical Centres in the UK, there were now 12 Direct Optik retail outlets in Sweden where turnover rose by 84 per cent.

Further premises were under negotiation.

The Readydispex subsidiary had a good start to the year, he said, and export business continued to grow.

Earnings per share improved to 15.3p (14p) and a 4p (3.5p) interim dividend is declared.

#### Ideal Hardware

Ideal Hardware, the specialist data storage distributor, reported a 26 per cent rise in half-year pre-tax profits from £2.34m to £2.93m.

The company specialises in solutions for the storage of computer data and supplying them to computer resellers.

Turnover for the period, which covered 27 weeks to November 3 compared with 26 weeks last time, increased by a third to £50.9m.

Earnings per share rose 22 per cent to 9.15p. The interim dividend is increased 23 per cent to 4.2p.

## If you want HIGH INCOME TSB can provide it

Estimated Yield Per Annum

# 9.0%

paid quarterly

The HIGH INCOME share class, from award winning TSB Fund Managers (Channel Islands) Limited, is the ninth share class of TSB Offshore Investment Fund Limited, a Jersey registered open ended investment company.

This share class aims to produce a higher level of income, currently estimated to be 9.0% per annum, paid quarterly by investing in Sterling fixed interest securities. You only need £5000 to invest in the HIGH INCOME share class. Investors will benefit from switching facilities to other share classes within the TSB Offshore Investment Fund.

Fill in the coupon below or fax us today

+ 44 1534 503211

Or please complete the coupon  
To Liz Wiscombe, TSB Offshore Centre, PO Box 587,  
St Helier, Jersey JE4 8XW, Channel Islands.  
Telephone + 44 1534 503909. Fax + 44 1534 503211

Please send me a copy of your brochure and prospectus giving full details of TSB Offshore Investment Fund Limited.

Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Postcode: \_\_\_\_\_

Remember, the value of shares can fluctuate in value in money terms and the income from them can go down as well as up and cannot be guaranteed. Consequently, on selling, investors may not get back the amount they originally invested. You should be aware that the distribution policy adopted by the Company may affect the underlying value of your investment.

TSB Fund Managers were placed 2nd in The Best Management Group category over three years and 1st in the UK Equity Sector over the same period in the 1995 Offshore Financial Review Awards.

TSB Fund Managers were also named as the Best Investment Group over 1, 3 & 5 years in the 1994 Microcap Offshore & Internationally Marketed Funds Awards.

**TSB**  
OFFSHORE  
CENTRE

This advertisement has been issued by TSB Fund Managers (Channel Islands) Limited, who are the managers of TSB Offshore Investment Fund Limited. It has been approved by TSB Investment Services Limited which is regulated by the Personal Investment Authority and is part of the TSB Marketing Group. TSB Offshore Centre is the offshore sales and marketing group for TSB Bank Channel Islands Limited and TSB Fund Managers (Channel Islands) Limited.

1534 503211



## COMMODITIES AND AGRICULTURE

## MARKET REPORT

## Copper stocks rise halts rally

An early rally in copper prices on the London Metal Exchange stalled yesterday after the exchange announced a large rise in warehouse stocks of the metal.

The three months delivery position had edged above \$2,700 a tonne at 09.00, but after the stocks news it quickly retraced its steps. By the close it stood at \$2,675.50 a tonne, down \$14 on the day and \$53.50 on the week. With nearby

LME warehouse stocks (at 09.00 on Dec 8)

|                 | Dec 8 | Dec 7 | Dec 6 |
|-----------------|-------|-------|-------|
| Aluminium       | 1,750 | 1,750 | 1,750 |
| Aluminium alloy | 4,250 | 4,250 | 4,250 |
| Copper          | 2,750 | 2,750 | 2,750 |
| Lead            | 1,250 | 1,250 | 1,250 |
| Nickel          | 1,250 | 1,250 | 1,250 |
| Zinc            | 1,250 | 1,250 | 1,250 |
| Tin             | 1,250 | 1,250 | 1,250 |

tightness still giving cause for concern, however, the cash price held on to its premium. The cash/futures months "backwardation", as the premium is called, ended at \$297 yesterday, close the record level reached in mid-week and \$61.50 up from the end of last week.

Traders told the Reuters news agency that wide nearby backwardations were still attracting metal into LME warehouses, with the bulk of the increase coming in Long Beach in the US and Singapore. The copper going into Singapore was probably Chinese, some said.

News that Russian refined copper exports fell 8 per cent in the first 10 months of this year to 215,000 tonnes had little impact on values, traders said. Aluminium stocks were also up quite sharply, but the market proved more resilient and the three months delivery price closed at \$1,875.50 a tonne, down \$5 on the day and \$15 on the week.

The nickel market remained fairly firm, with prices continuing to claw back Monday's rise yesterday left the three months position \$55 up on the week at \$3,950 a tonne after an early rise to \$3,980 had been met by chart-based selling and tight trade liquidation.

An 8,825-tonne, or 1 per cent, fall in LME lead stocks helped the metal's prices to edge higher yesterday, but they still finished lower on the week and the cash premium narrowed further. European producers said demand for the lead remained strong as battery manufacturers prepared for the usual winter upturn in replacement purchases.

At the London Bullion Market gold dealers made another effort yesterday to break upside resistance at \$380 a troy ounce. But, lacking sufficient encouragement from the New York market, the attempt failed and the price closed at \$377.70 an ounce, down \$1 on the day but \$1.15 up on the week.

"The market was oversold and it had to come back up," one trader commented. Others said activity centred on the January/March spread with the spot premium rising to \$230 a tonne on fears of renewed tightness next month. "In January/March the panic set in and we are off and rolling," said one. He thought the holders of short positions, who had seen the spot November premium soar to some \$700 a tonne before the position's expiry, did not want a repeat of that scenario on the now spot January contract.

The market was slightly cautious, however, ahead of the next week's US Department of Agriculture world production report. "The market is on hold until the USDA report next week," London broker GNI said.

Richard Mooney

WEEKLY PRICE CHANGES

|              | Change   | Year    | High    | Low     |
|--------------|----------|---------|---------|---------|
| Copper 3m    | -\$53.50 | -\$1.15 | \$3,000 | \$2,500 |
| Aluminium 3m | -\$5.00  | -\$1.00 | \$2,500 | \$2,000 |
| Lead 3m      | -\$1.00  | -\$0.50 | \$1,500 | \$1,000 |
| Nickel 3m    | +\$15.00 | +\$0.50 | \$4,000 | \$3,500 |
| Zinc 3m      | +\$10.00 | +\$0.50 | \$3,000 | \$2,500 |
| Tin 3m       | +\$15.00 | +\$0.50 | \$4,000 | \$3,500 |
| Gold 3m      | -\$1.00  | -\$0.50 | \$380   | \$370   |
| Silver 3m    | -\$0.50  | -\$0.25 | \$10    | \$9     |

US TREASURY

|     | Dec 8 | Dec 7 | Dec 6 |
|-----|-------|-------|-------|
| 3m  | 5.875 | 5.875 | 5.875 |
| 6m  | 6.125 | 6.125 | 6.125 |
| 12m | 6.375 | 6.375 | 6.375 |
| 30m | 6.625 | 6.625 | 6.625 |

EURO CURRENCY

|    | Dec 8  | Dec 7  | Dec 6  |
|----|--------|--------|--------|
| DM | 1.48   | 1.48   | 1.48   |
| FF | 1.36   | 1.36   | 1.36   |
| £  | 1.93   | 1.93   | 1.93   |
| ¥  | 163.64 | 163.64 | 163.64 |

WEDNESDAY: Retail sales (November). Labour market statistics: claimant unemployment and unfilled vacancies (November-provisional); employment, hours, productivity and unit wage costs; industrial disputes, training programme participants. Labour force survey (November); real retail sales (November); monthly earnings (November); monthly meeting of the general council of the World Trade Organisation in Geneva. Meetings of

five-power contact group and contact group 3. Islamic nations on former Yugoslavia in Paris. Summit of central Asian presidents in Bishkek (to Dec 15). Finnish parliament votes on 1996 budget. Belgian public sector workers hold demonstration over rail restructuring and pensions.

THURSDAY: Machine tools (October). Retail prices index (November). Fiscal results of June census of agriculture and horticulture for England (June 94). US consumer price index (November); industrial production (November); business inventories (October). Summit of top Nigerian politicians in Lagos to discuss military government's three-year transition to democracy programme. Summit meeting of the Association of Southeast Asian Nations in Bangkok (to Dec 15). Bundesbank council meets. FRIDAY: Usable steel production (November). CEI monthly trends enquiry (December). GB census exhibitors (third quarter). Earnings and hours of agricultural and horticultural workers (third quarter). European council of EU meets in Madrid (to Dec 16).

Get real-time quotes, Forex rates and news headlines on your PC with Signal! For more information call 44 171 600 6101

Signal

## BASE METALS

## LONDON METAL EXCHANGE

(Prices from Unassigned Metal Trading)

IN ALUMINIUM, 100 TONNES (5 per cent)

Dec 8 2,675.50

Dec 7 2,730.00

Dec 6 2,783.50

Dec 5 2,837.00

Dec 4 2,890.50

Dec 3 2,944.00

Dec 2 2,997.50

Dec 1 3,051.00

Dec 0 3,104.50

Dec -1 3,158.00

Dec -2 3,211.50

Dec -3 3,265.00

Dec -4 3,318.50

Dec -5 3,372.00

Dec -6 3,425.50

Dec -7 3,479.00

Dec -8 3,532.50

Dec -9 3,586.00

Dec -10 3,639.50

Dec -11 3,693.00

Dec -12 3,746.50

Dec -13 3,799.00

Dec -14 3,852.50

Dec -15 3,906.00

Dec -16 3,959.50

Dec -17 4,013.00

Dec -18 4,066.50

Dec -19 4,120.00

Dec -20 4,173.50

Dec -21 4,227.00

Dec -22 4,280.50

Dec -23 4,334.00

Dec -24 4,387.50

Dec -25 4,441.00

Dec -26 4,494.50

Dec -27 4,548.00

Dec -28 4,601.50

Dec -29 4,655.00

Dec -30 4,708.50

Dec -31 4,762.00

Dec -32 4,815.50

Dec -33 4,869.00

Dec -34 4,922.50

Dec -35 4,976.00

Dec -36 5,029.50

Dec -37 5,083.00

Dec -38 5,136.50

Dec -39 5,190.00

Dec -40 5,243.50

Dec -41 5,297.00

Dec -42 5,350.50

Dec -43 5,404.00

Dec -44 5,457.50

Dec -45 5,511.00

Dec -46 5,564.50

Dec -47 5,618.00

Dec -48 5,671.50

Dec -49 5,725.00

Dec -50 5,778.50

Dec -51 5,832.00

Dec -52 5,885.50

Dec -53 5,939.00

Dec -54 5,992.50

Dec -55 6,046.00

Dec -56 6,099.50

Dec -57 6,153.00

Dec -58 6,206.50

Dec -59 6,260.00

Dec -60 6,313.50

Dec -61 6,367.00

Dec -62 6,420.50

Dec -63 6,474.00

Dec -64 6,527.50

Dec -65 6,581.00

Dec -66 6,634.50

Dec -67 6,688.00

Dec -68 6,741.50

Dec -69 6,795.00

Dec -70 6,848.50

Dec -71 6,902.00

Dec -72 6,955.50

Dec -73 7,009.00

Dec -74 7,062.50

Dec -75 7,116.00

## PRECIOUS METALS CONTINUED

## GOLD COMEX (100 TONNES)

Dec 8 353.75

Dec 7 353.75

Dec 6 353.75

Dec 5 353.75

Dec 4 353.75

Dec 3 353.75

Dec 2 353.75

Dec 1 353.75

Dec 0 353.75

Dec -1 353.75

Dec -2 353.75

Dec -3 353.75

Dec -4 353.75

Dec -5 353.75

Dec -6 353.75

Dec -7 353.75

Dec -8 353.75

Dec -9 353.75

Dec -10 353.75

Dec -11 353.75

Dec -12 353.75

Dec -13 353.75

Dec -14 353.75

Dec -15 353.75

Dec -16 353.75

Dec -17 353.75

Dec -18 353.75

Dec -19 353.75

Dec -20 353.75

Dec -21 353.75

Dec -22 353.75

Dec -23 353.75

Dec -24 353.75

Dec -25 353.75

Dec -26 353.75

Dec -27 353.75

Dec -28 353.75

Dec -29 353.75

Dec -30 353.75

Dec -31 353.75

Dec -32 353.75

Dec -33 353.75

Dec -34 353.75

Dec -35 353.75

Dec -36 353.75

Dec -37 353.75

Dec -38 353.75

Dec -39 353.75

Dec -40 353.75

Dec -41 353.75

Dec -42 353.75

Dec -43 353.75

Dec -44 353.75

Dec -45 353.75

Dec -46 353.75

Dec -47 353.75

Dec -48 353.75

Dec -49 353.75

Dec -50 353.75

Dec -51 353.75

Dec -52 353.75

Dec -53 353.75

Dec -54 353.75

Dec -55 353.75

Dec -56 353.75

Dec -57 353.75

Dec -58 353.75

Dec -59 353.75

Dec -60 353.75

Dec -61 353.75

Dec -62 353.75

Dec -63 353.75

Dec -64 353.75

Dec -65 353.75

Dec -66 353.75

Dec -67 353.75

Dec -68 353.75

Dec -69 353.75

Dec -70 353.75

Dec -71 353.75

Dec -72 353.75

Dec -73 353.75

Dec -74 353.75

Dec -75 353.75

Dec -76 353.75

Dec -77 353.75

## GRAINS AND OIL SEEDS

## WHEAT COMEX (100 TONNES)

Dec 8 125.10

Dec 7 125.10

Dec 6 125.10

Dec 5 125.10

Dec 4 125.10

Dec 3 125.10

Dec 2 125.10

Dec 1 125.10

Dec 0 125.10

Dec -1 125.10



## COMMENT &amp; ANALYSIS

## FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL  
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700  
Saturday December 9 1995

## A European conundrum

Europe is in a muddle, and the events of recent days and weeks only emphasise the confusion. If the inhabitants of Jupiter were to send a counter-Galileo space probe, they might be forgiven for being baffled by the signals.

On the political front, the signs point in different directions. A team of the great and good in Brussels, the so-called reflection group summoned to prepare for next year's inter-governmental conference of the member states, has laboured for months, and brought forth a mouse. Called upon to propose constitutional reforms, both to make the EU more effective and more democratic, they have suggested that only modest tinkering is likely to prove acceptable to all 15. As for preparing the club for a whole range of new members, that all looks like being postponed.

Chancellor Helmut Kohl of Germany and President Jacques Chirac of France are clearly not satisfied. So ahead of next week's EU summit in Madrid, they have come up with their own agenda to keep the European integration show on the road. They have thrown down the gauntlet, to the minimalist British in particular, by insisting they cannot tolerate individual member states blocking further moves to integration.

They want a new clause to be written into the Maastricht treaty, allowing some member states to press ahead faster than others on the road to ever closer union. It would formalise the whole move towards a multiple-speed or variable geometry EU, with an integrated inner core based on EMU, and several looser outer circles which might allow for enlargement to the east.

A strategy for institutional reform is needed if the EU is to manage enlargement to the east. But everything also depends on what happens to the commitment made in the Maastricht treaty to economic and monetary union. Mr Chirac and Mr Kohl hope EMU will happen; Mr John Major and Mr Lamberto Dini fear it will; the question remains whether it will.

## Mortal combat

France is where this will be decided. The government is locked in mortal combat with its leading trade unions over a modest attempt to reform its social security system. Most impartial observers agree that it is the least it could and should do to bring its public finances under control.

The ability of the French government to put through its reforms is a crucial test. But even if Mr Alain Juppé's government succeeds in achieving its immediate

objective, neither it nor the EMU project will be assured of success.

The questions would then be how the fiscal deficit criterion for EMU will be applied and how the European economy performs. If the European economy were to persist in its present slowdown, an almost insuperable problem might be created for France. The government's plan to lower the deficit from 5 per cent of GDP this year to below 3 per cent in 1997 depends on its ability to sustain growth of 2½-3 per cent a year. That is increasingly in question.

## Macroeconomic pickle

The good news for France is that Germany is in a very similar macroeconomic pickle. Preliminary estimates suggest that the German economy registered no economic growth in the third quarter of 1995 and suffered a rise in unemployment to 9.7 per cent of the labour force. The bad news is that the Bundesbank may not act aggressively in response and, even if it does, may not succeed in reversing the drift.

The consequences for France could be dire. If slow growth began to increase French unemployment and raise the budget deficit once more, the chances of EMU might be regarded as increasingly remote. The exchange rate could then come under pressure, triggering a vicious circle of higher interest rates, slower growth, bigger fiscal deficits and yet more fiscal tightening.

France could find two escapes from the danger, both of them dependent on German good will. The first would be sharp and timely monetary easing by the Bundesbank under the direction of Mr Kohl's former assistant, Dr Hans Tietmeyer.

The second would be agreement by German politicians that the fiscal position in 1997 will be judged on a structural, or cyclically adjusted, basis, not on the basis of actual figures. If neither of these is forthcoming, France could be thrown off the track toward EMU in the very last lap. Defeating the strikes and demonstrations is absolutely necessary. It may still not be enough.

Messrs Chirac and Kohl have underlined once again that their commitment and direction is critical to the process. But even if they can deliver EMU for an inner core of member states, they have to define how variable geometry will work to preserve the integrity of the EU as a whole. That is certainly a task beyond the capacity of next week's EU summit. But it is the fundamental question to be defined by next year's IGC.

## When the belt-tightening hurts

Fears are increasing that governments' enthusiasm for fiscal correctness could derail the global economic recovery, writes Robert Chote

Over the past three years the economies of the industrialised world have been in the grip of fiscal correctness. With the notable exception of Japan, their governments have been engaged in a belt-tightening exercise unprecedented at this stage of an economic upswing.

But are we getting too much of a good thing? Figures this week showed that the German economy stalled in the third quarter of the year, while the French and UK economies are barely growing at all. The US too is expected to see growth decelerate markedly.

Optimists believe that figures such as these mark no more than a pause before global economic activity accelerates again. But as forecasters fall over themselves to revise down their predictions of world growth for next year, there are fears in some quarters that overzealous fiscal rectitude is threatening to derail the recovery.

The trigger for fiscal consolidation was the build-up of public sector debt in the 1980s. It was made all the more urgent by relatively low inflation, which increased the burden of financing that debt.

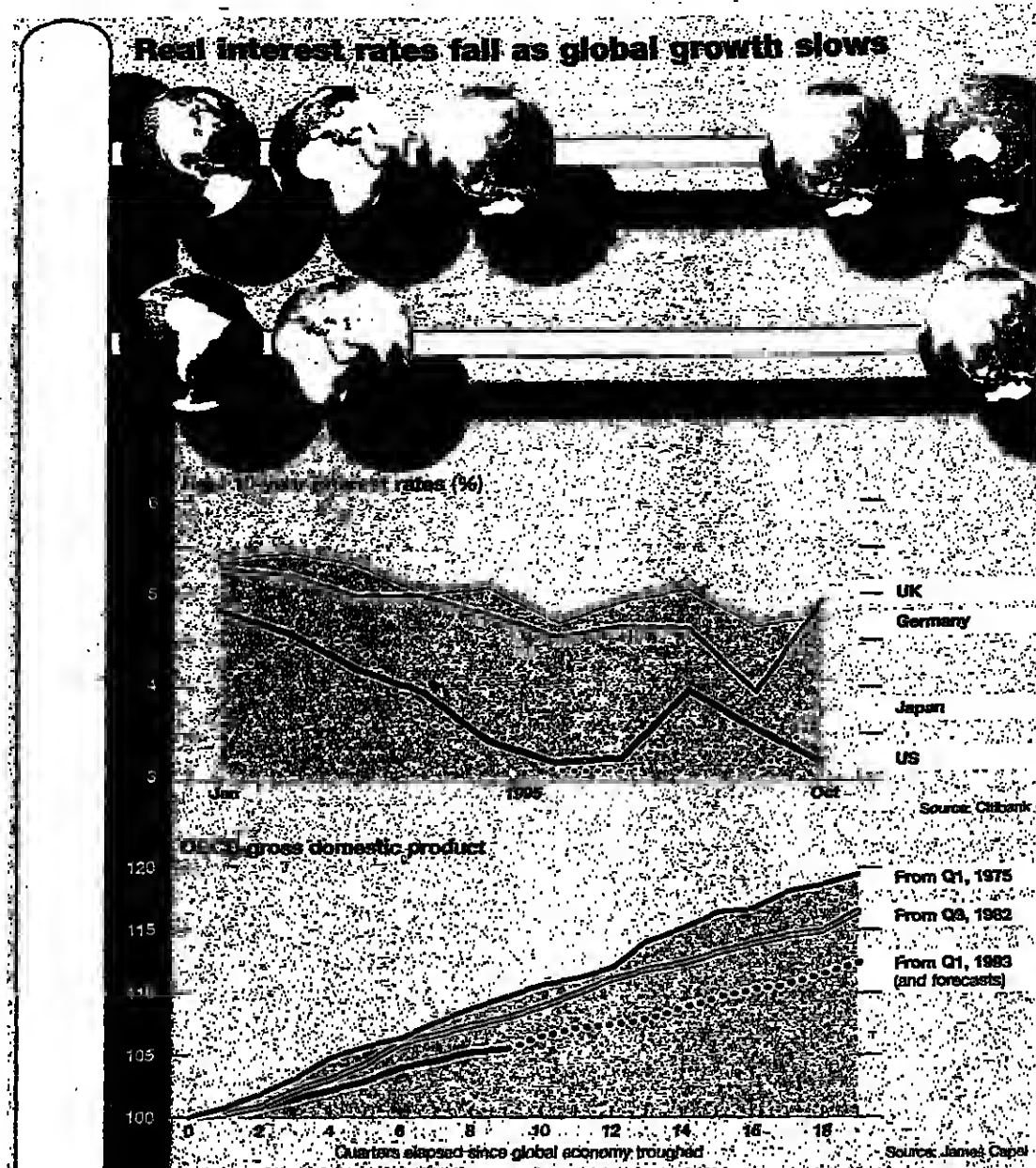
Progress has been impressive. The Organisation for Economic Co-operation and Development calculates that its 19 biggest member countries have cut their budget deficits since 1992 by 0.6 per cent of national income - excluding any reduction explained by recovery. In the US there is bipartisan support for a balanced budget, while European governments have to borrow less if they are to join the single currency under the terms of the Maastricht treaty.

"Political dogma in any of the Group of Seven countries has become fiscally conservative on both sides of the aisle. It is going to take a very long time to reverse these strategies," argues Mr Philippe Jordan, senior vice-president at Daiwa Securities in New York.

Shrinking the state has often proved to be a painful process. The street marches and public sector strikes which caused chaos in France this week are only one manifestation of a pervasive concern in many countries about the consequences of cutting public deficits.

Doubts have been raised about the future of state spending on pensions and health, for example. Combined with the job insecurity brought about by intensifying global competition, the squeeze on public sector activities is helping make the "nervous 90s".

This deep-seated sense of nervousness has been heightened as the industrialised economies show signs of running out of steam. In Germany, France and the UK, analysts fear output will contract in the fourth quarter as companies meet demand from stocks of unsold goods. A stock adjustment is also expected to slow the US economy in the fourth quarter, after growth in the third which was unsustainable. Mr Keith Skeoch, chief economist at James Capel in London, now



expects the OECD economies to expand by only 2.1 per cent next year. This follows 3.5 per cent growth this year and 3.1 per cent in 1994. His views are not untypical.

Such unpromising short-term prognoses come three years into a global recovery that has anyway been more anaemic than its predecessors in the 1970s and 1980s. Even excluding the persistently weak Japanese economy, output and incomes in the OECD are still 1.5 per cent lower in relative terms than at the equivalent stage of the last two upturns.

The sluggishness of the present recovery cannot be explained by investment or exports, which are behaving much as in previous cycles. The weakness is showing up instead in consumer spending - affected by taxes - and government expenditure. "There thus appears to be *prima facie* evidence that fiscal consolidation has played a big role in generating a slower pace of activity in the early years of the current recovery," Mr Skeoch believes.

The recovery has also been sapped by the overhang of private sector debt which built up in many advanced economies during the 1980s. Many households which would normally be happy to borrow are afraid to do so - and those which would normally save are happy to continue. Growing fears about the future of public sector pensions give an added incentive.

Economic policymakers can, of course, reduce interest rates to bolster growth. But Mr John Lipsky, chief economist at Salomon Brothers in New York, observes that what he calls the "new policy consensus" behind fiscal consolidation also includes a conservative attitude to interest rates.

However, he also doubts whether governments will be able to stick to the new consensus. "The new policy consensus is running headlong into economic realities that will severely test policymakers," he argues. Events in France have underlined the fragility of popular support in Europe for the conservative policies

demanding by the Maastricht treaty. Many observers doubt the US can sustain its recent golden scenario of solid growth, low inflation and high capacity utilisation. And it is still not certain that the Japanese economy is out of the woods.

Investor scepticism about the durability of the new policy consensus is reflected in the stubbornness of inflation expectations, which put upward pressure on long-term interest rates. Mr Eddie George, governor of the Bank of England, complained this week that Mr Kenneth Clarke, the UK chancellor, had lost credibility and pushed up gilt yields by failing to raise rates in May.

In Europe, the differences between interest rates in EU member states indicate that investors believe some are less serious about - or capable of - fiscal rectitude than others, despite attempts to bring convergence ahead of economic and monetary union. Even in the US, the much-lauded Federal Reserve has yet to convince investors that it means what

it says about price stability. Some analysts fear the durability of the new policy consensus may be undermined by the very fact that investors think it cannot last. This may stop long-term interest rates falling sufficiently to offset the impact of fiscal consolidation.

But Daiwa's Mr Jordan argues that the central banks are simply being stubborn. The Fed, for example, is failing to cut short-term rates quickly enough. "The monetary policies which eradicated inflation are still being employed," he says.

The willingness of central banks to act will be tested in the next few weeks. The German growth figures have fuelled expectations that the Bundesbank will cut its official rates in January, while a deal over the federal budget could allow rates in the US to fall then too. Some observers expect rates in both Germany and the US to fall this side of Christmas, and rates in the UK are widely expected to drop next week.

But Mr Skeoch at James Capel notes that the supposed trade-off between fiscal consolidation and loose monetary policy has rarely materialised in the past. Looking at 12 examples of fiscal consolidation in OECD countries over the last 25 years, he found that short-term interest rates ended up 1.1 per cent higher on average three years later. Longer-term "real" rates did fall, but mainly because of rising inflation. Any boost the economy might have received was also often undermined by a blow to competitiveness from a stronger exchange rate that resulted from such policies.

Depending on the timetable for rate reductions, Mr John Llewellyn, chief economist with Lehman Brothers in London, argues that Europe's bleakest time will be the first half of next year. But he fears a vicious circle if growth is too low to bring about the fall in budget deficits demanded by the Maastricht treaty, and if governments respond with more budget cuts.

Either way, the demands of the Maastricht treaty are expected to keep European growth subdued. The Japanese economy appears at last to be recovering - but from such a low starting point that it is unlikely to make much difference to the world economy as a whole.

Thus it may be the US that determines whether the world economy resumes rapid growth. The optimists expect the US to lead a powerful re-acceleration, while the pessimists think any rebound there will be weak and a long time coming. And what if there is a serious attempt to balance the federal budget? The conventional view is that this would boost the economy by allowing interest rates to fall. But history suggests it may not.

The moral of the last two years in which global growth surprised almost everyone on the upside in 1994 and almost everyone on the downside in 1995 - is that economists cannot give a reliable prediction one way or the other.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be hand-delivered to +44 171-873 5338 (please see fax to "line"). e-mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

## View of dealing system liquidity a myth

From Professor Morris Mendelson.  
Sir, I was dismayed at your perpetuation of the myth that quote driven systems provide better liquidity than order driven systems ("Exchange and marts", December 1). That is the kind of knee-jerk reaction I would expect from a market maker. Among other things it assumes that securities firms will not make markets on order driven systems.

I see no reason in the world why, when the spreads are wide, a securities firm would not want to take advantage of that and offer both a bid and offer and hope to benefit from the spread just as it does in a quote driven system.

Since, in an order driven system, the firm is free to enter and leave the market for a security without penalty and does not have to have a regulatory reserve of capital for those securities in which it chooses to make markets, a profit seeking securities firm is likely to be on the alert for excessive spreads, shifting its market making from stock to stock depending on where its services are most needed. Exposure is less risky than on SEAQ since the bids and offers are anonymous.

Furthermore, since a properly designed order driven system has time priority, potential liquidity providers are encouraged to expose their willingness to trade. As we

have discovered in the US in the crash of 1987, the liquidity provided by market makers was grossly exaggerated.

While they broadcast their bids and offers on Nasdaq, many simply did not answer the phone. Finally, when the Toronto Stock Exchange introduced "Market by price", an order driven system, spreads narrowed.

Morris Mendelson, professor emeritus of finance, Wharton School of the University of Pennsylvania, 36-20 Locust Walk, Philadelphia, PA 19104-6387, US

## France right to reform

From Mr John Stevens MEP.  
Sir, Your leader "Il n'y a pas d'alternative" (December 5) on the real issues at stake in the present courageous stand of the French government to secure a reform of its public finances was absolutely correct.

It is deeply depressing how many so-called Conservative commentators in the UK seem to be advocating the interests of trade union power and fiscal irresponsibility, simply because of their hostility to European monetary union.

The fact of the matter is that the French government is doing the right thing in cutting its deficit regardless of the Maastricht criteria. France is one of Britain's principal trading partners. The UK has a huge vested interest in the long term health of the French economy which can only be secured if these reforms succeed. The parliamentary opposition to French prime minister Alain Juppé's programme is being led by the French Socialist party with which the British Labour party is closely linked in the European parliament.

This, when taken together with recent remarks by EU transport commissioner Neil Kinnock ("Kinnock breaks ranks with Brussels on EMU", November 28), would seem to suggest that the chances of Labour leader Tony Blair actually being able to deliver the sort of rigorous control of government spending necessary for Britain to be at the heart of European affairs are negligible.

John Stevens, 39 St James's Place, London SW1A 1NS, UK

## Asia's 'four tigers' are no longer low wage areas

From Mr Aidan Foster-Carter.  
Sir, Can we call, once and for all, the myth that the "four tigers" of east Asia today have low wages? You quote a cabinet minister as telling a City of London audience ("Dorrell admits reform of economy hurt many", December 1) that "Poland's labour costs are lower than they are in Singapore, Korea, or Taiwan". The secretary of state for health also described the notion of the UK competing on low wages (while disagreeing with it) as "Europe's Hong Kong".

But per capita income in the UK (\$17,400 in 1994, according to the Economist Intelligence Unit) is already lower than in both Hong Kong (\$21,740) and Singapore (\$22,470).

Over the past three years, the firm is free to enter and leave the market for a security without penalty and does not have to have a regulatory reserve of capital for those securities in which it chooses to make markets, a profit seeking securities firm is likely to be on the alert for excessive spreads, shifting its market making from stock to stock depending on where its services are most needed. Exposure is less risky than on SEAQ since the bids and offers are anonymous.

Furthermore, since a properly designed order driven system has time priority, potential liquidity providers are encouraged to expose their willingness to trade. As we have discovered in the US in the crash of 1987, the liquidity provided by market makers was grossly exaggerated.

While they broadcast their bids and offers on Nasdaq, many simply did not answer the phone. Finally, when the Toronto Stock Exchange introduced "Market by price", an order driven system, spreads narrowed.

company, let alone the country. In 1995, is it any less inexcusable for a minister to be so ignorant of basic data and trends in east Asia more broadly?

And yet your political editor praised Mr Dorrell's speech as "one of the most coherent accounts by a minister of the government's... strategy". If even their best thinking is based on such false and outdated assumptions, small wonder the UK is in the mess it is.

The idea that his City audience may be equally misinformed is too awful even to contemplate.

Aidan Foster-Carter, senior lecturer in sociology, University of Leeds, director, Leeds University Korea Project, Leeds LS2 9JT, UK



## BUSINESS INFORMATION



## THE RIGHT BUSINESS INFORMATION

In the age of information, the hard thing is to find the right information; key company information that's relevant and to the point.

FT McCarthy is your vital source. Our network can provide comprehensive information on the exact companies and sectors that interest you. Every day we gather information from the world's top business publications - it would take you all day just to read them - sort it, and store it. You can access just what you need - by company, by industry, by country or by market. Industry speculation as well as the hard facts.

Access is on CD-ROM, online or hard copy, so it's easy to be on the right side with FT McCarthy. Start today by sending the coupon.

FT McCarthy. The right business information

Complete this coupon and send it to: Michael Ridgway, FT McCarthy, Financial Times Information, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL. Telephone: 0171-825 7953. Please send me details of FT McCarthy.

Name \_\_\_\_\_  
Company \_\_\_\_\_  
Address \_\_\_\_\_  
Country \_\_\_\_\_ Telephone \_\_\_\_\_



FINANCIAL TIMES  
Information

صكنا من الامم



Man in the News • Marc Blondel

## The striker with the cigar

The French union leader still has a lot to prove, says Andrew Jack

With his brightly coloured braces, considerable paunch and penchant for large cigars, Mr Marc Blondel could easily pass for the archetypal capitalist that trade union militants love to hate.

At the head of marching workers complete with megaphones and flat caps, he is rapidly transformed into what he really is: the union leader with a pivotal position in the battle for the reform of France's social security system.

These two apparently contradictory aspects of his image serve well to illustrate the personal and political tensions pulling Mr Blondel, secretary general of Force Ouvrière (FO), one of France's largest unions, in different directions.

In many ways, he is experiencing his finest hour as master of the wave of strikes and demonstrations that have swept France in response to the social security reforms proposed last month by Mr Alain Juppé, the prime minister.

Last Thursday – two weeks after the first strikes began – crowds of more than 700,000 people gathered on the streets in cities across France, raising the spectre of the troubles of 1968.

Mr Blondel's rise to prominence has been based on his colourful personality and his

ability to focus on the main concerns both of trade unionists, and large sections of the general public. But there are signs that this consensus may be beginning to break down.

To thousands of irate commuters in Paris who staged counter-demonstrations last weekend, for example, he has become a figure of hate. "Blondel, c'est le bordel," it's a complete mess with Blondel," they shouted. There were even chants of "Blondel – à mort" – death to Blondel.

Yet despite the disruption to business, the huge traffic jams and the enormous inconvenience for those attempting to get to work, the bulk of public opinion is still behind him. The latest poll, published last week, suggests that 58 per cent of the French believe continued strikes are justified.

For the estimated one third of public-sector employees who stayed away from work on Thursday, Mr Blondel symbolises their determination to fight what they perceive as the growing threat to their job

security and retirement entitlements at a time of high unemployment and slowing economic growth.

Some other unions have accepted the need for an overhaul of the present deficit-generating social security system and have responded positively to Mr Juppé's proposed reforms.

But Mr Blondel has dominated media attention with his dogged determination to pursue the strikes. His lively personality appeals to journalists, with the result he appears daily in morning radio broadcasts, afternoon newspapers and evening television discussions, even if the coverage is not always favourable.

The grandson of miners from northern France, and a former civil servant, Mr Blondel, 57, a bear-swilling bull-fight fan, is fond of historic gestures, such as pulling out his own pay slip – limited to FF14,000 (\$2,517) a month – in front of the cameras.

In his six years at the helm of Force Ouvrière, where he is

dubbed "the general", he has done much to radicalise the union.

So it is no surprise that he has sought to exploit the present unfocused but broad range of public frustrations with the state of France, tapping the demands of the strikers from "withdrawal of the Juppé plan" to wider concerns about the preservation of the public sector and the need for salary increases.

Among his other initiatives, he has brought Force Ouvrière closer to the Confédération Générale du Travail, the grandparent of France's labour movement, which celebrated his centenary at a congress last week.

In a widely-photographed gesture at the end of November, Mr Blondel publicly shook hands for the first time with Mr Louis Vianet, the Communist head of the Confédération Générale du Travail. He has also said that he has ambitions to form a united "granda CGT".

Rapprochement would not

be easy, however. Force Ouvrière has a long tradition of moderation, and split away from the Confédération Générale du Travail in 1947 for the very reason that it believed trade unions should be kept independent from the Communist party or any other political group.

Furthermore, Mr Blondel owes his position to a bizarre alliance between radical Trotskyites and private-sector union members associated with the ruling centre-right RPR Gaullist party.

This alliance has carried him to victory in the last two leadership elections and his hope is that it will propel him to a third win next February. Neither element in this alliance would welcome closer links with the Confédération Générale du Travail.

There is little doubt that Mr Blondel's personality has played an important role in inflaming the present deadlock in France. Although he says he is a socialist, he allied himself to Mr Jacques Chirac, the

RPR leader, in the presidential election campaign this spring, encouraged by Mr Chirac's pledges about preserving the country's social security system.

He pronounced himself satisfied with the ideas for reform after a meeting with President Chirac in October. He was visibly angered and embarrassed when Mr Juppé's final version of the plan bore little relation to the one discussed, and bitterly accused the president of "lying by omission".

Along with some other union leaders, he dismisses as a charade Mr Juppé's supposed negotiations with the unions in the development of his reform plan.

There is a more tangible explanation for Mr Blondel's discontent, however. Force Ouvrière at present presides over the Caisse Nationale d'Assurance Maladie, with a FF800bn annual budget to reimburse much of the country's health care expenses. Under Mr Juppé's plan, administration of the Caisse would be brought under the control of the French parliament.

In the circumstances, Mr Blondel's hardline reaction to Mr Juppé's proposals is logical. Whether it is sustainable, whether the diversity of the groups involved and the worsening winter weather, is another matter.



## Repent at leisure

Peter Norris reflects on the collapse of Barings for the first time since it failed to John Gapper

Ten days before the ignominious collapse of Barings, the UK merchant bank, in February, two men met in its 24th-floor Singapore office. One was Peter Norris, the 40-year-old head of investment banking. The other was Mr Nick Leeson, a 28-year-old trader in financial derivatives.

Ten months later, Mr Leeson has started a six-and-a-half year jail term in connection with the \$830m derivatives loss that brought down Barings. Mr Norris spends most days looking for another job.

At night, he returns to his large house near Bedford, and his wife and two young children. Mr Leeson beds down on a straw mattress in a shared cell. But Mr Norris has no sympathy for the trader who simply cut his own – until then golden – career.

"I think he was someone who took ruthless advantage, apparently from day one, of being given responsibility in a certain area, and who utterly corrupted it," says Mr Norris, who left Barings in May with 19 other senior executives linked to the disaster.

Mr Norris faces being barred from serving as a director of an investment bank by the Securities and Futures Authority, the City regulator. Moreover, he has been accused by Singapore inspectors of trying to conceal Mr Leeson's unauthorised trading before the collapse.

Mr Norris says he is particularly pained by the knowledge that he had Mr Leeson in front of him without realising what he was concealing. "It is unbelievably galling, but the fact is that that information had not come to me. It came a week later," he says.

He says his encounter with Mr Leeson was a routine 15-minute meeting, one of several he had with local staff. He asked Mr Leeson a gentle question about whether others were upset at him earning so much money. "I recall it because frankly I did not understand the rather convoluted answer that I got back," he says.

The Singapore inspectors have accused Mr Norris of lying, citing eye-witnesses who saw the meeting lasted 50 minutes. The implication is that Mr Norris and Mr Leeson were plotting, Mr Norris says there is no truth in this.

The Singapore authorities appear to be considering whether to bring charges

against Mr Norris. Mr James Bax, the former head of the Singapore office, and Mr Simon Jones, the local operations manager. Mr Bax and Mr Jones are more vulnerable since they are living in Singapore.

Mr Norris has less to fear, but must also face the reality that many Britons sympathise with Mr Leeson, and regard the former executives of Barings headed by Mr Norris as bearing a heavy responsibility.

Such public humiliation may be harder for Mr Norris to take than others. Unlike some executives who left, he was not close to retirement. Furthermore, he had a reputation for arrogance, having risen rapidly to the top under the former chairman, Mr Peter Barings.

"I am not asking for sympathy, but if people think clearly about what has happened to a number of people's lives and future prospects, the effects of this have been severe," he says. Indeed, Mr Norris admits to having to re-appraise his whole view of the world – "what you can cope with, and what you can't" – as a result.

From early on, he has been more willing to shoulder blame for his role in the collapse than some other executives. "Anybody who was involved in the management of the business can reflect on things they might have done that would have made a difference. I can certainly do so," he says.

Yet he insists that part of his responsibility was formal rather than direct, in the sense that the debacle happened while he was in overall command. Although he talks of it analytically, he is clearly irritated that others played down the extent to which they had direct responsibility for Mr Leeson during the Bank of England inquiry.

"It is human nature for people confronted with this sort of thing to re-consider and re-present what they were doing and why they were doing it," he says. Although he does not mention the name, he seems particularly stung by the admission by Mr Ron Baker, former head of derivatives, that he was unfamiliar with equity derivatives.

He says a lack of understanding of derivatives among senior managers "is definitely part of what happened," but the Bank inquiry uncovered "acknowledgements of inexperience and lack of qualifications in running the business which were not



Peter Norris: 'It is a matter of anxiety as to when and how I am going to earn a viable salary again' Photograph: Trevor Humphries

presented at the time". Despite the lack of controls that let Mr Leeson run amok, Mr Norris insists Barings was competently managed in other areas. "In this instance, with unbelievable effects, the process failed, but the factors that caused the failure were not prevalent throughout the organisation," he says.

He puts a large part of the blame on the re-organisation it was undergoing. Controls were revamped after the departure of Mr Christopher Heath, founder of Barings Securities, in 1993, and Mr Norris was trying to integrate the organisation with Barings Brothers, Barings' merchant banking operation.

In the context of the fraudulent activity that had already started, that definitely meant there was too much going on in the organisation," he says. "In important areas of management, people had extraneous things on their minds which were not simply to do with running the business."

Mr Norris recognises sympathy for the former executives will be limited, given revelations about how much they were paid. He was due to receive a £1m bonus for 1994. Mr Leeson would have got \$450,000, and Mr Andrew Tucker, the bank's deputy chairman, was due to receive £1.6m, although none of them were paid.

From outside, he can reflect

at leisure on the industry that used to pay him so well. "It is clearly not a matter of justice. The issue of how investment banking has become a supernation industry enjoying unbelievable rates of remuneration is a very big topic."

It is a moot point whether he will even earn such bonuses again. Even if he escapes a ban by the SFA, his curriculum vitae has been badly marred. "As a family, we are not destitute, but it is a matter of anxiety to me as to when and how I am going to be able to earn a viable salary again," he says.

Perhaps he would not even want to be an investment banker again. The collapse not only cut short a career, but made him wonder if it is possible to manage a modern investment bank according to Barings' ethos. He was fond of the bank, at which everyone trusted each other.

"I suppose my most bitter reflection is that it was an institution where I always thought one rarely, if ever, had to question the motives of one's colleagues," says Mr Norris, who spent all but three years of his 19-year career at Barings after graduating from Oxford University in 1976.

"Now I see that it was a naive judgment, well by-passed by the growth of the bank, and the extent to which its character was changing," he says. "To reflect that the approach had so clearly become inadequate is very hard."

UK rail privatisation is finally set to go ahead, says Charles Batchelor

The last obstacle has been removed and the privatisation train is finally ready to depart. Yesterday's ruling by the High Court that Mr Roger Salmon, the UK's rail franchising director, had not set unacceptably low minimum levels of rail service earlier this year when he offered the first passenger service franchises for sale, all but clears the way for UK rail privatisation to go ahead.

Although disappointed anti-privatisation campaigners are to go to the Appeal Court on Monday in a last-ditch attempt to reverse the judgment, their prospects of winning appear slight. If their appeal fails, the winners of the first three franchises – for Great Western, South Western Trains and the London, Tilbury and Southend line – will be announced on Tuesday.

Britain has been in the vanguard of an international move towards rail privatisation. Legislation to permit a split between track ownership and passenger train operations has been passed and British Rail has been broken up into more than 80 companies for sale to the private sector.

A European Union directive passed in 1991 requires member states to separate infrastructure from operations but other countries have moved more slowly.

Management buyout teams are believed to have won the bidding for both the London, Tilbury and Southend line in the east of England and Great Western. South West Trains seems set to go to Stagecoach, the aggressive Scottish bus group.

Stagecoach has a reputation for fighting tough and slashing fares where necessary to drive out competition, but it says it intends to give passengers a better deal. "You can be sure we will not be planning to reduce services," said Mr Brian Souter, chairman. "Our track record in our bus business is one of continuous expansion and not contraction."

The management teams will be committing their personal finances and their careers to the venture so they can be expected to take a long-term view. But some doubt their ability to free themselves from a bureaucratic British Rail culture steeped in cost-cutting rather than innovative marketing.

Others are concerned that, with large amounts of public subsidy still going into the railways, the Treasury might not be able to resist the temptation to chip away at rail finances over the length of the franchises. These will run for at least seven years.

The High Court challenge had threatened to derail the

## Slow train coming at last

privatisation programme just when it was starting to gather speed. The immediate effect of yesterday's judgment is to remove uncertainty over the self-off timetable.

Taking BR to market was always going to be a delicate juggling act, with the franchising director and the rail regulator balanced uneasily between imposing too many restrictions and relaxing controls too much.

The minimum service requirements – the government prefers the term passenger service requirements – announced by Mr Salmon, set out very detailed minimum standards for train operations. These will apply to all 25 passenger franchises to be sold over the next two to three years. Standards for seven franchises have so far been set out.

The requirements set a time when the first and last trains of the day must run, the stations which must be called at and the minimum frequency of services. It is up to the train operators whether they run more services.

The franchising director has attempted to concentrate subsidies on services likely to prove unattractive to private operators. The government will provide £1.5bn in subsidies in the first year of privatisation – a £700m increase from present levels.

On the east coast main line, probably the most profitable of BR's routes, he has only stipulated an hourly service between London and Newcastle upon Tyne, in north-east

England, compared with the present half-hourly service.

But in the less well-used and less regular services, he has put more restrictions in place. Overall, Mr Salmon calculates that he has required that 75 per cent of east coast services will still run.

Bidders for franchises are adamant that they will want to increase services. "We will far exceed the passenger service requirements and where possible we will exceed InterCity east coast's current service," says Mr Brian Burdett, who is heading a management buyout bid.

But the government's protestations and these promises cut little ice with the Central Rail Users' Consultative Committee, a national passenger watchdog.

"It is not important what percentage of trains is included in the passenger service requirements but why it is being cut at all," says Mr Phil Wilks of the committee.

For critics such as these, the minimum service requirements may look extremely lax. But from the perspective of some bidders, they are already so onerous as to make it difficult to run a viable railway. The cuts imposed cover not just timetable but fare levels and overcrowding.

Fare increases will not be allowed to exceed inflation for the next three years and must be held at 1 percentage point below inflation for a further four years.

Controls will be toughest on commuter routes, where passengers have no real choice of

how they get to work and on routes where trains fulfil a social need.

Mr Salmon calculates that 80 per cent of the ticket revenues of London, Tilbury and Southend, a mainly commuter line, will be subject to regulation, while just 25 per cent of Great Western's ticket revenues will be affected.

The London, Tilbury and Southend line, which has the reputation of being one of the most unreliable in the UK and is run with 30-year-old carriages, has been dubbed the "miserable line" by many long-suffering Essex commuters.

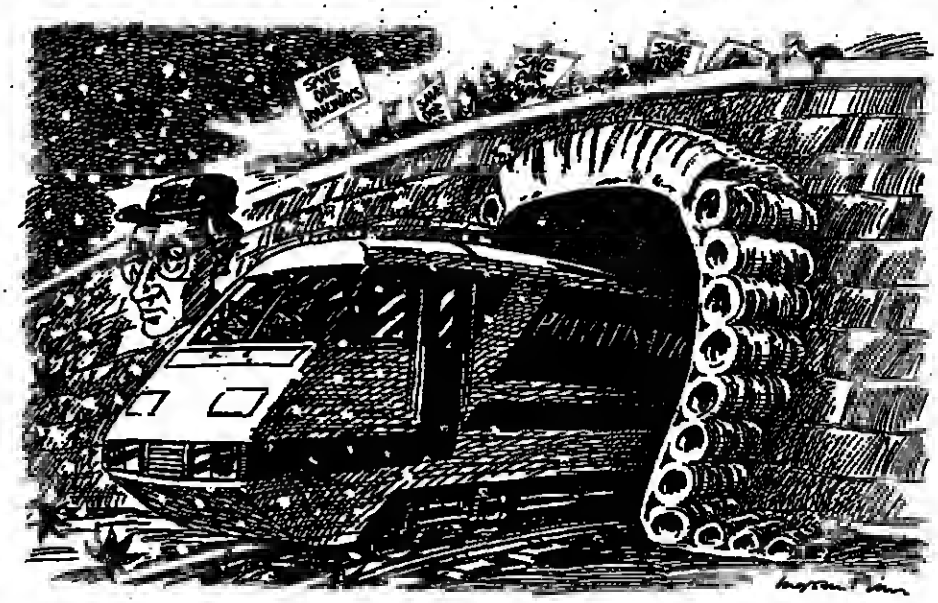
Mr Salmon points out that this is the first time that there has been a contract requiring train operators to provide a certain level of service, or to keep fare rises within certain limits.

In the past, BR used its own judgment based on commercial and social factors and the amount of money it had available, to decide both fares and service levels. Over the past 10 years fares have risen by 22 per cent above inflation. Service levels have also been at BR's discretion.

The fear of the critics of rail privatisation is that even if the new operators do mean what they say about increasing services, they will face inevitable cost constraints and start making cuts.

But the operators say that cost-cutting has been tried by BR in the past and that swinging further reductions would be needed to achieve any measurable savings. They see the route to profitability in boosting rail travel by more imaginative marketing and by improving service quality.

"We would operate the existing timetable for at least two years," says one rail franchise bidder. "The whole object is to get more people using trains."



## Smugglers drive on the tobacco road

Roderick Oram on the growing power of the cross-Channel bootleggers

A profitable business proposition was put to MPs debating the UK Budget this week: more money could be made bringing a car boot full of tobacco for hand-rolled cigarettes across the Channel than by smuggling 10kg of cannabis.

Doubtless no MP would act on the tip from Mr Jacques Lait, the bonhomie member for Hastings and Rye. But plenty of other people have already cashed in on that knowledge.

In the past few years Dutch-made Drum has become the third biggest selling brand of hand-rolling tobacco in the UK. It has 13 per cent of the market, even though it is not legally for sale in the UK because of a trademark dispute.

The suppliers are bootleggers exploiting the difference between high excise duties in the UK and low rates in Belgium. A 50g pouch of typical hand-rolling tobacco cost-

ing the equivalent of £1.95 in Belgium has a street value in the UK of between £4 and £5, undercutting the retail price of Golden Virginia or Old Holborn – which are legally available in the UK – of £7.35.

Supply is no problem. "I can take you to any town or city in this country and find you some in 20 minutes," says Mr Clive Turner, executive director of industry affairs at the Tobacco Manufacturers Association, which is worried about the effects of smuggling on the legitimate tobacco business.

Pubs, cafes, car-boot sales and door-to-door sellers are the best sources of smuggled tobacco. Tobaccoists rarely sell it for fear

of losing their legal supplies. Illegal traders will supply some 3,000 tonnes – or 50 per cent – of the UK market for hand-rolling tobacco this year, the association estimates. Imported tobacco volumes rose rapidly after border controls were eased in 1993 when the EU single market came into effect, and the flow has accelerated rapidly this year as bootleggers have built their distribution networks.

Hand-rolling tobacco is one of the most lucrative products to smuggle into the UK, because it is easy to carry and bears higher rates of duty than cigarettes.

The smuggling will cost the government some £370m in lost excise

duty this year, the association estimates. Mr Kenneth Clarke, the chancellor, acknowledged this in the Budget by freezing the duty on hand-rolling tobacco, although tobaccoists say this is like Camille trying to stop the tide coming in.

"Everybody thinks they are just cheating the government which they feel is a good game to play," says Mr Paul Mason of the Tobacco Alliance, a lobby group for retailers. "But they forget they're taking out every one else as well."

Newsagents and corner stores are seeing their tobacco sales, a key business, falling away rapidly. Mr Mason says he cannot compete given the high duty and his slender

margin-up of 50p on a £7.35 pouch of tobacco. Smokers with packets of Drum sticking out of their pockets are coming in only to buy cigarette papers and matches, he says. Only a blizzard of National Lottery ticket sales has helped fill the gap for newsagents.

The issues are broader for campaigners such as Ms Lait. She is worried about the health implications of young people having easy access to cheap tobacco smoked in unfiltered cigarettes. Sales of cigarette papers have risen 50 per cent in the UK over the past five years, indicating a big switch to roll-your-own cigarettes.

Bringing hand-rolling tobacco across the Channel for your own consumption is legal, but reselling it in the UK is not. Customs & Excise considers 1kg an appropriate maximum quantity. When officers earlier this year challenged a man carrying 11kg, he said he mixed it with beef, garlic, carrots and onions in a stew in which he bathed to ward off colds and rheumatism. The tobacco was confiscated and he was fined.

Smuggling is a low-risk crime for those involved – mainly pensioners looking for a little extra income, truck drivers and the organised gangs. The association believes that Customs officers detect barely 1 per cent of the tobacco traffic.

The maximum prison sentence imposed to date is just 27 months.

Nobody in the industry believes the government will cut duties enough to stop the smuggling – it needs the tax revenue from the legal trade and uses high tobacco taxes as part of a health policy to discourage smoking.

As for the UK manufacturers, all is not lost. They have yielded some market share to brands such as Drum, but UK exports of Golden Virginia, Old Holborn and other tobaccos to continental Europe have tripled to 1,300 tonnes a year – with much of it smuggled back into the UK.

The attractions are obvious: "A working man doesn't have to roll a cigarette like a matchstick any more," says Mr Dave West, a British entrepreneur who sells tonnes of tobacco to cross-Channel shoppers in Belgium each week. "He can afford to roll a fat one."



























## WORLD STOCK MARKETS

## NORTH AMERICA

UNITED STATES (Dec 9 / US\$)

(4 per cent)

Dec 9

Dec 8

Dec 7

Dec 6

Dec 5

Dec 4

Dec 3

Dec 2

Dec 1

Dec 31

Dec 30

Dec 29

Dec 28

Dec 27

Dec 26

Dec 25

Dec 24

Dec 23

Dec 22

Dec 21

Dec 20

Dec 19

Dec 18

Dec 17

Dec 16

Dec 15

Dec 14

Dec 13

Dec 12

Dec 11

Dec 10

Dec 9

Dec 8

Dec 7

Dec 6

Dec 5

Dec 4

Dec 3

Dec 2

Dec 1

Dec 31

Dec 30

Dec 29

Dec 28

Dec 27

Dec 26

Dec 25

Dec 24

Dec 23

Dec 22

Dec 21

Dec 20

Dec 19

Dec 18

Dec 17

Dec 16

Dec 15

Dec 14

Dec 13

Dec 12

Dec 11

Dec 10

Dec 9

Dec 8

Dec 7

Dec 6

Dec 5

Dec 4

Dec 3

Dec 2

Dec 1

Dec 31

Dec 30

Dec 29

Dec 28

Dec 27

Dec 26

Dec 25

Dec 24

Dec 23

Dec 22

Dec 21

Dec 20

Dec 19

Dec 18

Dec 17

Dec 16

Dec 15

Dec 14

Dec 13

Dec 12

Dec 11

Dec 10

Dec 9

Dec 8

Dec 7

Dec 6

Dec 5

Dec 4

Dec 3

Dec 2

Dec 1

Dec 31

Dec 30

Dec 29

Dec 28

Dec 27

Dec 26

Dec 25

Dec 24

Dec 23

Dec 22

Dec 21

Dec 20

Dec 19

Dec 18

Dec 17

Dec 16

Dec 15

Dec 14

Dec 13

Dec 12

Dec 11

Dec 10

Dec 9

Dec 8

Dec 7

Dec 6

Dec 5

Dec 4

Dec 3

Dec 2

Dec 1

Dec 31

Dec 30

Dec 29

Dec 28

Dec 27

Dec 26

Dec 25

Dec 24

Dec 23

Dec 22

Dec 21

Dec 20

Dec 19

Dec 18

Dec 17

Dec 16

Dec 15

Dec 14

Dec 13

Dec 12

Dec 11

Dec 10

Dec 9

Dec 8

Dec 7

Dec 6

Dec 5

Dec 4

Dec 3

Dec 2

Dec 1

Dec 31

Dec 30

Dec 29

Dec 28

Dec 27

Dec 26

Dec 25

Dec 24

Dec 23

Dec 22

Dec 21

Dec 20

Dec 19

Dec 18

Dec 17

Dec 16

Dec 15

Dec 14

Dec 13

Dec 12

Dec 11

Dec 10

Dec 9

Dec 8

Dec 7

Dec 6

Dec 5

Dec 4

Dec 3

Dec 2

Dec 1

Dec 31

Dec 30

Dec 29

Dec 28

Dec 27

Dec 26

Dec 25

Dec 24

Dec 23

Dec 22

Dec 21

Dec 20

Dec 19

Dec 18

Dec 17

Dec 16

Dec 15

Dec 14

Dec 13

Dec 12

Dec 11

Dec 10

Dec 9

Dec 8

Dec 7

Dec 6

Dec 5

Dec 4

Dec 3

Dec 2

Dec 1

Dec 31

Dec 30

Dec 29

Dec 28

Dec 27

Dec 26

Dec 25

Dec 24

Dec 23

Dec 22

Dec 21

Dec 20

Dec 19

Dec 18

Dec 17

Dec 16

Dec 15

Dec 14

Dec 13

Dec 12

Dec 11

Dec 10

Dec 9

Dec 8

Dec 7

Dec 6

Dec 5

Dec 4

Dec 3

Dec 2

Dec 1

Dec 31

Dec 30

Dec 29

Dec 28

Dec 27

Dec 26

Dec 25

Dec 24

Dec 23

Dec 22

Dec 21

Dec 20

Dec 19

Dec 18

Dec 17

Dec 16

Dec 15

Dec 14

Dec 13

Dec 12

Dec 11

Dec 10

Dec 9

Dec 8

Dec 7

Dec 6

Dec 5

Dec 4

Dec 3

Dec 2

Dec 1

Dec 31

Dec 30

Dec 29

Dec 28

Dec 27

Dec 26

Dec 25

Dec 24

Dec 23

Dec 22

Dec 21

Dec 20

Dec 19

Dec 18

Dec 17

Dec 16

Dec 15

Dec 14

Dec 13

Dec 12

Dec 11

Dec 10

Dec 9

Dec 8

Dec 7

Dec 6

Dec 5

Dec 4

Dec 3

Dec 2

Dec 1

Dec 31

Dec 30

Dec 29

Dec 28

Dec 27

Dec 26

Dec 25

Dec 24

Dec 23

Dec 22

Dec 21

Dec 20

Dec 19

Dec 18

Dec 17

Dec 16

Dec 15

Dec 14

Dec 13

Dec 12

Dec 11

Dec 10

Dec 9

Dec 8

Dec 7

Dec 6

Dec 5

Dec 4

Dec 3

Dec 2

Dec 1

Dec 31

Dec 30

Dec 29

Dec 28

Dec 27

Dec 26

Dec 25

Dec 24

Dec 23











## LONDON STOCK EXCHANGE

## MARKET REPORT

## Footsie lower for fifth successive trading session

By Steve Thompson, UK Stock Market Editor

A timely reminder of the potential for profit warnings in the UK equity market, coupled with another bout of the jitters in the US and an afternoon reversal in bond markets, saw the FT-SE 100 index register its fifth successive decline.

Wall Street continued to play a big part in unsettling London, as well as other European markets. The Dow Jones followed up Thursday's steep fall of nearly 40 points, with another less-than-convincing showing at the start of US trading yesterday, following the November non-farm payroll report.

Footsie ended another volatile session at 3,604.5, or 1.3 per cent, over the week. The FT-SE 100, meanwhile, suffered more than the senior index, sliding 20.7 to 3,604.5. Over the week, it fell less than one per cent.

Laporte, the chemicals group, was largely responsible for the underperformance of the Mid 250 index, after shocking the market with a profits warning, the second from a chemicals group this week. Laporte said it expected current year profits to come in around 10 per cent lower than most forecasts, triggering a 22 per cent slide in its share price.

The dismal showing by Laporte cancelled out the benefits to the Mid 250 index of a good performance from T & N, the automotive components and engineering group, which emerged victorious from a \$185m lawsuit in the US.

The day's crucial event, however, was the US payroll report, which initially saw Treasury bonds race ahead by a full point, before coming off sharply to trade only 5 ticks higher as London closed. Gilt, which struggled throughout the morning, picked up to post gains of 8 ticks on the back of US bonds, before coming off and ending virtually unchanged on the day.

The Dow edged higher at the outset, as futures scrutinised the number, but quickly reversed, falling back to display a 20-point decline, before settling at 7,958.75.

The FT-SE 100 kicked off the session with a 7-point loss, declined further in mid-morning, but embarked on a good recovery in the early afternoon. At best, the index was 6.4 higher, but gains were wiped out by Wall Street's slide.

As well as being disturbed by the Laporte warning, the market became increasingly nervous about Monday's official market debut of National Grid shares. Some dealers hinted that the shares might not go as well as some have predicted.

"The market knows that five of the recs will be looking to place their grid shares, probably via a series of bought deals; the institutions might hold off and hope to buy the stock in big size later on," the five recs held between 45 and 48 per cent of Grid stock.

As well as the possibility of UK and German interest rate cuts, next week sees the expiry on Friday of the FT-SE future and index options as well as triple witching in the US. There were also murmurs around the trading desks of more bid activity; one of the day's wilder stories was that BP was contemplating a bid for British Gas.

Turnover in equities was 678.1m shares. Customer business on Thursday was valued at £1.74bn.

# FT-SE 100 Index

| Date   | Index  |
|--------|--------|
| Dec 1  | 3689.5 |
| Dec 2  | 3689.5 |
| Dec 3  | 3689.5 |
| Dec 4  | 3689.5 |
| Dec 5  | 3689.5 |
| Dec 6  | 3689.5 |
| Dec 7  | 3689.5 |
| Dec 8  | 3689.5 |
| Dec 9  | 3689.5 |
| Dec 10 | 3689.5 |
| Dec 11 | 3689.5 |
| Dec 12 | 3689.5 |
| Dec 13 | 3689.5 |
| Dec 14 | 3689.5 |
| Dec 15 | 3689.5 |
| Dec 16 | 3689.5 |
| Dec 17 | 3689.5 |
| Dec 18 | 3689.5 |
| Dec 19 | 3689.5 |
| Dec 20 | 3689.5 |
| Dec 21 | 3689.5 |
| Dec 22 | 3689.5 |
| Dec 23 | 3689.5 |
| Dec 24 | 3689.5 |
| Dec 25 | 3689.5 |
| Dec 26 | 3689.5 |
| Dec 27 | 3689.5 |
| Dec 28 | 3689.5 |
| Dec 29 | 3689.5 |
| Dec 30 | 3689.5 |
| Dec 31 | 3689.5 |

# Quality choices graded

| Date   | Quality |
|--------|---------|
| Dec 1  | 3689.5  |
| Dec 2  | 3689.5  |
| Dec 3  | 3689.5  |
| Dec 4  | 3689.5  |
| Dec 5  | 3689.5  |
| Dec 6  | 3689.5  |
| Dec 7  | 3689.5  |
| Dec 8  | 3689.5  |
| Dec 9  | 3689.5  |
| Dec 10 | 3689.5  |
| Dec 11 | 3689.5  |
| Dec 12 | 3689.5  |
| Dec 13 | 3689.5  |
| Dec 14 | 3689.5  |
| Dec 15 | 3689.5  |
| Dec 16 | 3689.5  |
| Dec 17 | 3689.5  |
| Dec 18 | 3689.5  |
| Dec 19 | 3689.5  |
| Dec 20 | 3689.5  |
| Dec 21 | 3689.5  |
| Dec 22 | 3689.5  |
| Dec 23 | 3689.5  |
| Dec 24 | 3689.5  |
| Dec 25 | 3689.5  |
| Dec 26 | 3689.5  |
| Dec 27 | 3689.5  |
| Dec 28 | 3689.5  |
| Dec 29 | 3689.5  |
| Dec 30 | 3689.5  |
| Dec 31 | 3689.5  |

## Indices and ratios

|                            |         |         |
|----------------------------|---------|---------|
| FT-SE Mid 250              | 3683.2  | -20.7   |
| FT-SE A 350                | 1798.9  | -5.9    |
| FT-SE A All-Share          | 1773.98 | -5.96   |
| FT-SE A All-Share yield    | 3.83    | (3.81)  |
| FT Ordinary index          | 2830.1  | -4.9    |
| FT-SE A Non Fins p/e       | 16.49   | (16.52) |
| FT-SE 100 Fut Dec          | 3684.0  | -11.5   |
| 10 yr gilt yield           | 7.45    | (7.43)  |
| Long gilt/equity yld ratio | 2.02    | (2.04)  |

## FT-SE 100 Index

|                         |        |
|-------------------------|--------|
| Closing index for Dec 8 | 3630.0 |
| Change over week        | -39.7  |
| Dec 7                   | 3669.7 |
| Dec 6                   | 3682.8 |
| Dec 5                   | 3684.2 |
| Dec 4                   | 3689.7 |
| Dec 3                   | 3689.5 |
| Dec 2                   | 3689.5 |
| Dec 1                   | 3689.5 |
| Dec 31                  | 3689.5 |
| Dec 30                  | 3689.5 |
| Dec 29                  | 3689.5 |
| Dec 28                  | 3689.5 |
| Dec 27                  | 3689.5 |
| Dec 26                  | 3689.5 |
| Dec 25                  | 3689.5 |
| Dec 24                  | 3689.5 |
| Dec 23                  | 3689.5 |
| Dec 22                  | 3689.5 |
| Dec 21                  | 3689.5 |
| Dec 20                  | 3689.5 |
| Dec 19                  | 3689.5 |
| Dec 18                  | 3689.5 |
| Dec 17                  | 3689.5 |
| Dec 16                  | 3689.5 |
| Dec 15                  | 3689.5 |
| Dec 14                  | 3689.5 |
| Dec 13                  | 3689.5 |
| Dec 12                  | 3689.5 |
| Dec 11                  | 3689.5 |
| Dec 10                  | 3689.5 |
| Dec 9                   | 3689.5 |
| Dec 8                   | 3689.5 |
| Dec 7                   | 3689.5 |
| Dec 6                   | 3689.5 |
| Dec 5                   | 3689.5 |
| Dec 4                   | 3689.5 |
| Dec 3                   | 3689.5 |
| Dec 2                   | 3689.5 |
| Dec 1                   | 3689.5 |
| Dec 31                  | 3689.5 |
| Dec 30                  | 3689.5 |
| Dec 29                  | 3689.5 |
| Dec 28                  | 3689.5 |
| Dec 27                  | 3689.5 |
| Dec 26                  | 3689.5 |
| Dec 25                  | 3689.5 |
| Dec 24                  | 3689.5 |
| Dec 23                  | 3689.5 |
| Dec 22                  | 3689.5 |
| Dec 21                  | 3689.5 |
| Dec 20                  | 3689.5 |
| Dec 19                  | 3689.5 |
| Dec 18                  | 3689.5 |
| Dec 17                  | 3689.5 |
| Dec 16                  | 3689.5 |
| Dec 15                  | 3689.5 |
| Dec 14                  | 3689.5 |
| Dec 13                  | 3689.5 |
| Dec 12                  | 3689.5 |
| Dec 11                  | 3689.5 |
| Dec 10                  | 3689.5 |
| Dec 9                   | 3689.5 |
| Dec 8                   | 3689.5 |
| Dec 7                   | 3689.5 |
| Dec 6                   | 3689.5 |
| Dec 5                   | 3689.5 |
| Dec 4                   | 3689.5 |
| Dec 3                   | 3689.5 |
| Dec 2                   | 3689.5 |
| Dec 1                   | 3689.5 |
| Dec 31                  | 3689.5 |
| Dec 30                  | 3689.5 |
| Dec 29                  | 3689.5 |
| Dec 28                  | 3689.5 |
| Dec 27                  | 3689.5 |
| Dec 26                  | 3689.5 |
| Dec 25                  | 3689.5 |
| Dec 24                  | 3689.5 |
| Dec 23                  | 3689.5 |
| Dec 22                  | 3689.5 |
| Dec 21                  | 3689.5 |
| Dec 20                  | 3689.5 |
| Dec 19                  | 3689.5 |
| Dec 18                  | 3689.5 |
| Dec 17                  | 3689.5 |
| Dec 16                  | 3689.5 |
| Dec 15                  | 3689.5 |
| Dec 14                  | 3689.5 |
| Dec 13                  | 3689.5 |
| Dec 12                  | 3689.5 |
| Dec 11                  | 3689.5 |
| Dec 10                  | 3689.5 |
| Dec 9                   | 3689.5 |
| Dec 8                   | 3689.5 |
| Dec 7                   | 3689.5 |
| Dec 6                   | 3689.5 |
| Dec 5                   | 3689.5 |
| Dec 4                   | 3689.5 |
| Dec 3                   | 3689.5 |
| Dec 2                   | 3689.5 |
| Dec 1                   | 3689.5 |
| Dec 31                  | 3689.5 |
| Dec 30                  | 3689.5 |
| Dec 29                  | 3689.5 |
| Dec 28                  | 3689.5 |
| Dec 27                  | 3689.5 |
| Dec 26                  | 3689.5 |
| Dec 25                  | 3689.5 |
| Dec 24                  | 3689.5 |
| Dec 23                  | 3689.5 |
| Dec 22                  | 3689.5 |
| Dec 21                  | 3689.5 |
| Dec 20                  | 3689.5 |
| Dec 19                  | 3689.5 |
| Dec 18                  | 3689.5 |
| Dec 17                  | 3689.5 |
| Dec 16                  | 3689.5 |
| Dec 15                  | 3689.5 |
| Dec 14                  | 3689.5 |
| Dec 13                  | 3689.5 |
| Dec 12                  | 3689.5 |
| Dec 11                  | 3689.5 |
| Dec 10                  | 3689.5 |
| Dec 9                   | 3689.5 |
| Dec 8                   | 3689.5 |
| Dec 7                   | 3689.5 |
| Dec 6                   | 3689.5 |
| Dec 5                   | 3689.5 |
| Dec 4                   | 3689.5 |
| Dec 3                   | 3689.5 |
| Dec 2                   | 3689.5 |
| Dec 1                   | 3689.5 |
| Dec 31                  | 3689.5 |
| Dec 30                  | 3689.5 |
| Dec 29                  | 3689.5 |
| Dec 28                  | 3689.5 |
| Dec 27                  | 3689.5 |
| Dec 26                  | 3689.5 |
| Dec 25                  | 3689.5 |
| Dec 24                  | 3689.5 |
| Dec 23                  | 3689.5 |
| Dec 22                  | 3689.5 |
| Dec 21                  | 3689.5 |
| Dec 20                  | 3689.5 |
| Dec 19                  | 3689.5 |
| Dec 18                  | 3689.5 |
| Dec 17                  | 3689.5 |
| Dec 16                  | 3689.5 |
| Dec 15                  | 3689.5 |
| Dec 14                  | 3689.5 |
| Dec 13                  | 3689.5 |
| Dec 12                  | 3689.5 |
| Dec 11                  | 3689.5 |
| Dec 10                  | 3689.5 |
| Dec 9                   | 3689.5 |
| Dec 8                   | 3689.5 |
| Dec 7                   | 3689.5 |
| Dec 6                   | 3689.5 |
| Dec 5                   | 3689.5 |
| Dec 4                   | 3689.5 |
| Dec 3                   | 3689.5 |
| Dec 2                   | 3689.5 |
| Dec 1                   | 3689.5 |
| Dec 31                  | 3689.5 |
| Dec 30                  | 3689.5 |
| Dec 29                  | 3689.5 |
| Dec 28                  | 3689.5 |
| Dec 27                  | 3689.5 |
| Dec 26                  | 3689.5 |
| Dec 25                  | 3689.5 |
| Dec 24                  | 3689.5 |
| Dec 23                  | 3689.5 |
| Dec 22                  | 3689.5 |
| Dec 21                  | 3689.5 |
| Dec 20                  | 3689.5 |
| Dec 19                  | 3689.5 |
| Dec 18                  | 3689.5 |
| Dec 17                  | 3689.5 |
| Dec 16                  | 3689.5 |
| Dec 15                  | 3689.5 |
| Dec 14                  | 3689.5 |
| Dec 13                  | 3689.5 |
| Dec 12                  | 3689.5 |
| Dec 11                  | 3689.5 |
| Dec 10                  | 3689.5 |
| Dec 9                   | 3689.5 |
| Dec 8                   | 3689.5 |
| Dec 7                   | 3689.5 |
| Dec 6                   | 3689.5 |
| Dec 5                   | 3689.5 |
| Dec 4                   | 3689.5 |
| Dec 3                   | 3689.5 |
| Dec 2                   | 3689.5 |
| Dec 1                   | 3689.5 |
| Dec 31                  | 3689.5 |
| Dec 30                  | 3689.5 |
| Dec 29                  | 3689.5 |
| Dec 28                  | 3689.5 |
| Dec 27                  | 3689.5 |
| Dec 26                  | 3689.5 |
| Dec 25                  | 3689.5 |
| Dec 24                  | 3689.5 |
| Dec 23                  | 3689.5 |
| Dec 22                  | 3689.5 |
| Dec 21                  | 3689.5 |
| Dec 20                  | 3689.5 |
| Dec 19                  | 3689.5 |
| Dec 18                  | 3689.5 |
| Dec 17                  | 3689.5 |
| Dec 16                  | 3689.5 |
| Dec 15                  | 3689.5 |
| Dec 14                  | 3689.5 |
| Dec 13                  | 3689.5 |
| Dec 12                  | 3689.5 |
| Dec 11                  | 3689.5 |
| Dec 10                  | 3689.5 |
| Dec 9                   | 3689.5 |
| Dec 8                   | 3689.5 |
| Dec 7                   | 3689.5 |
| Dec 6                   | 3689.5 |
| Dec 5                   | 3689.5 |
| Dec 4                   | 3689.5 |
| Dec 3                   | 3689.5 |
| Dec 2                   | 3689.5 |
| Dec 1                   | 3689.5 |
| Dec 31                  | 3689.5 |
| Dec 30                  | 3689.5 |
| Dec 29                  | 3689.5 |
| Dec 28                  | 3689.5 |
| Dec 27                  | 3689.5 |
| Dec 26                  | 3689.5 |
| Dec 25                  | 3689.5 |
| Dec 24                  | 3689.5 |
| Dec 23                  | 3689.5 |
| Dec 22                  | 3689.5 |
| Dec 21                  | 3689.5 |
| Dec 20                  | 3689.5 |
| Dec 19                  | 3689.5 |
| Dec 18                  | 3689.5 |
| Dec 17                  | 3689.5 |
| Dec 16                  | 3689.5 |
| Dec 15                  | 3689.5 |
| Dec 14                  | 3689.5 |
| Dec 13                  | 3689.5 |
| Dec 12                  | 3689.5 |
| Dec 11                  | 3689.5 |
| Dec 10                  | 3689.5 |
| Dec 9                   | 3689.5 |
| Dec 8                   | 3689.5 |
| Dec 7                   | 3689.5 |
| Dec 6                   | 3689.5 |
| Dec 5                   | 3689.5 |
| Dec 4                   | 3689.5 |
| Dec 3                   | 3689.5 |
| Dec 2                   | 3689.5 |
| Dec 1                   | 3689.5 |
| Dec 31                  | 3689.5 |
| Dec 30                  | 3689.5 |
| Dec 29                  | 3689.5 |
| Dec 28                  | 3689.5 |
| Dec 27                  | 3689.5 |
| Dec 26                  | 3689.5 |
| Dec 25                  | 3689.5 |
| Dec 24                  | 3689.5 |
| Dec 23                  | 3689.5 |
| Dec 22                  | 3689.5 |
| Dec 21                  | 3689.5 |
| Dec 20                  | 3689.5 |
| Dec 19                  | 3689.5 |
| Dec 18                  | 3689.5 |
| Dec 17                  | 3689.5 |
| Dec 16                  | 3689.5 |
| Dec 15                  | 3689.5 |
| Dec 14                  | 3689.5 |
| Dec 13                  | 3689.5 |
| Dec 12                  | 3689.5 |
| Dec 11                  | 3689.5 |
| Dec 10                  | 3689.5 |
| Dec 9                   | 3689.5 |
| Dec 8                   | 3689.5 |
| Dec 7                   | 3689.5 |
| Dec 6                   | 3689.5 |
| Dec 5                   | 3689.5 |
| Dec 4                   | 3689.5 |
| Dec 3                   | 3689.5 |
| Dec 2                   | 3689.5 |
| Dec 1                   | 3689.5 |
| Dec 31                  | 3689.5 |
| Dec 30                  | 3689.5 |
| Dec 29                  | 3689.5 |
| Dec 28                  | 3689.5 |
| Dec 27                  | 3689.5 |
| Dec 26                  | 3689.5 |
| Dec 25                  | 3689.5 |
| Dec 24                  | 3689.5 |
| Dec 23                  | 3689.5 |
| Dec 22                  | 3689.5 |
| Dec 21                  | 3689.5 |
| Dec 20                  | 3689.5 |
| Dec 19                  | 3689.5 |
| Dec 18                  | 3689.5 |
| Dec 17                  | 3689.5 |
| Dec 16                  | 3689.5 |
| Dec 15                  | 3689.5 |
| Dec 14                  | 3689.5 |
| Dec 13                  | 3689.5 |
| Dec 12                  | 3689.5 |
| Dec 11                  | 3689.5 |
| Dec 10                  | 3689.5 |
| Dec 9                   | 3689.5 |
| Dec 8                   | 3689.5 |
| Dec 7                   | 3689.5 |
| Dec 6                   | 3689.5 |
| Dec 5                   | 3689.5 |
| Dec 4                   | 3689.5 |
| Dec 3                   | 3689.5 |
| Dec 2                   | 3689.5 |
| Dec 1                   | 3689.5 |
| Dec 31                  | 3689.5 |
| Dec 30                  | 3689.5 |
| Dec 29                  | 3689.5 |
| Dec 28                  | 3689.5 |
| Dec 27                  | 3689.5 |
| Dec 26                  | 3689.5 |
| Dec 25                  | 3689.5 |
| Dec 24                  | 3689.5 |
| Dec 23                  | 3689.5 |
| Dec 22                  | 3689.5 |
| Dec 21                  | 3689.5 |
| Dec 20                  | 3689.5 |
| Dec 19                  | 3689.5 |
| Dec 18                  | 3689.5 |
| Dec 17                  | 3689.5 |
| Dec 16                  | 3689.5 |
| Dec 15                  | 3689.5 |
| Dec 14                  | 3689.5 |
| Dec 13                  | 3689.5 |
| Dec 12                  | 3689.5 |
| Dec 11                  | 3689.5 |
| Dec 10                  | 3689.5 |
| Dec 9                   | 3689.5 |
| Dec 8                   | 3689.5 |
| Dec 7                   | 3689.5 |
| Dec 6                   | 3689.5 |
| Dec 5                   | 3689.5 |
| Dec 4                   | 3689.5 |
| Dec 3                   | 3689.5 |
| Dec 2                   | 3689.5 |
| Dec 1                   | 3689.5 |
| Dec 31                  | 3689.5 |
| Dec 30                  | 3689.5 |
| Dec 29                  | 3689.5 |
| Dec 28                  | 3689.5 |
| Dec 27                  | 3689.5 |
| Dec 26                  | 3689.5 |
| Dec 25                  | 3689.5 |
| Dec 24                  | 3689.5 |
| Dec 23                  | 3689.5 |
| Dec 22                  | 3689.5 |
| Dec 21                  | 3689.5 |
| Dec 20                  | 3689.5 |
| Dec 19                  | 3689.5 |
| Dec 18                  | 3689.5 |
| Dec 17                  | 3689.5 |
| Dec 16                  | 3689.5 |
| Dec 15                  | 3689.5 |
| Dec 14                  | 3689.5 |
| Dec 13                  | 3689.5 |
| Dec 12                  | 3689.5 |
| Dec 11                  | 3689.5 |
| Dec 10                  | 3689.5 |
| Dec 9                   | 3689.5 |
| Dec 8                   | 3689.5 |
| Dec 7                   | 3689.5 |
| Dec 6                   | 3689.5 |
| Dec 5                   | 3689.5 |
| Dec 4                   | 3689.5 |
| Dec 3                   | 3689.5 |
| Dec 2                   | 3689.5 |
| Dec 1                   | 3689.5 |
| Dec 31                  | 3689.5 |
| Dec 30                  | 3689.5 |
| Dec 29                  | 3689.5 |
| Dec 28                  | 3689.5 |
| Dec 27                  | 3689.5 |
| Dec 26                  | 3689.5 |
| Dec 25                  | 3689.5 |







W agrees  
omy deal  
hechnya

Russian bank  
as control  
oil giant

inion

٥٨١ / ١٤٢٥ هـ

# Ind k.

0121  
200 2242

## SHARELINK

Helping investors help themselves

**PROPERTY - Cont.**

**RETAILERS, FOOD**

**RETAILERS, GENERAL**

**PHARMACEUTICALS**

**PROPERTY**

**OTHER FINANCIAL**

**LEISURE & HOTELS**

**AMERICANS**

**CANADIANS**

**SOUTH AFRICANS**

**GUIDE TO LONDON SHARE SERVICE**

**FT Free Annual Reports Service**

**FT Cityline**

**OTHER INVESTMENT TRUSTS**

**INVESTMENT COMPANIES**

**OF, INTEGRATED**

**OTHER FINANCIAL**

**LEISURE & HOTELS**

**AMERICANS**

**CANADIANS**

**SOUTH AFRICANS**

**GUIDE TO LONDON SHARE SERVICE**

**FT Free Annual Reports Service**

**FT Cityline**



Business survey points to increased profits

## Outlook for Japanese companies improves

By William Dawkins in Tokyo

Japan's leading companies feel slightly more confident about business conditions than three months ago and expect further recovery in the short term, the Bank of Japan announced yesterday.

The bank's quarterly Tankan business survey, the most authoritative guide to Japan's short-term economic outlook, points to higher corporate profits and fewer companies with excess labour.

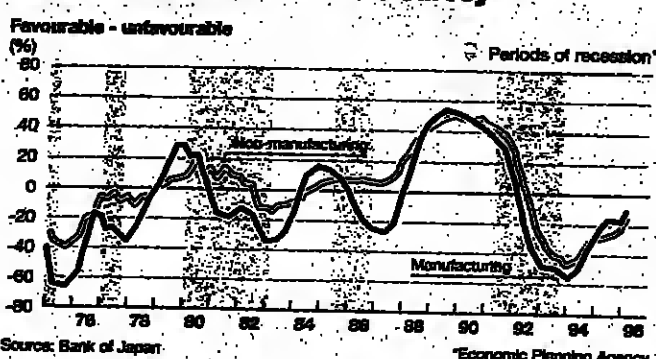
But this is partly offset by a build-up of stocks of unsold goods and a weak outlook for domestic demand, according to a poll of executives last month.

The results, in line with the market's expectations, show that the first fragile signs of recovery, helped by a ¥14,200bn (\$140bn) fiscal stimulus package in September, are too weak to tempt the central bank to raise its record low interest rates, said economists in Tokyo.

Manufacturers produced a score of minus 14 on the Tankan's confidence index - which measures the balance between the percentage of those reporting better and worse conditions - a small improvement on minus 18 in the previous survey, in August. Service industries also improved a fraction, from minus 23 to minus 22 over the same period.

This shows that the economy is still "stalled" but that the risk of a recession is diminished, said a BoJ official. A warning by the

### Japan: business conditions survey



Organisation of Economic Co-operation and Development a day earlier that Japan risked fresh recession was yesterday questioned by the country's top economic official.

Mr Isamu Miyazaki, director-general of the Economic Planning Agency, dismissed the OECD's forecast of 1.8 per cent growth in gross domestic product next year as too low and failing fully to reflect the government's stimulus measures. He expects growth of 2 per cent to 3 per cent in the fiscal year to March 1997.

Yesterday's Tankan survey, however, shows companies have yet to trim their stocks of goods and materials in line with demand. The balance of those with surplus inventories rose from 17 in August to 19 last month, though on balance companies expected stocks to fall by March.

The weakness of domestic

demand is shown by a small reduction in manufacturers' sales forecasts for the year to next March, from 1.6 per cent in August, to 1.4 per cent now.

Despite their sluggish sales, manufacturers' expected profits to rise nearly 27 per cent in 1996, the second year of increase. Service companies expect a 1.7 per cent profit rise, a sharp upgrade from the previous survey and the first improvement in five years. But their sales outlook is even weaker than manufacturers' - down 2.1 per cent, the fifth year of decline.

Japan has seen four bank collapses since the last survey was conducted, but this does not appear to have harmed industry's access to credit. The balance of those who found their financial position easy rose slightly to 12, while a balance of 33 described their banks as accommodating, up from 32 in November.

## Jersey may change laws to attract top UK accountants

By Jim Kelly, Accountancy Correspondent

Jersey is to try and change its laws to attract the UK's Big Six accountancy firms, which are seeking to protect partners' personal assets from rising litigation.

It is understood an official announcement will be made next Monday in the capital, St Helier, that the island's legislature will be asked to allow firms to register as limited liability partnerships.

Arthur Andersen, part of the world's largest accountancy firm, suggested it may take advantage of the proposed new law. This follows indications earlier this week from Price Waterhouse and Ernst & Young that they may wish to go offshore.

Mr Jim Wadia, senior partner at Andersen's in the UK, said the firm would be "evaluating" the "Jersey initiative", although it would review all the options. Ernst & Young and Price Waterhouse are expected to announce their backing for the Jersey proposal for limited liability partnerships - an option already open to US firms registering in Delaware.

If the three firms did register in Jersey they would remain resident in the UK and continue under the present tax and regulatory frameworks.

At present, Jersey law, like that in the UK, allows for only a restricted form of limited liability partnership which has proved of little use to large accountancy firms. The proposed law change - which could take several months - represents efforts by Jersey to attract high-profile businesses to the island.

Jersey, which is not part of the EU and describes itself as "off-shore Europe", held bank deposits in December 1994 of \$64bn and collective investment funds of \$22bn.

UK accountancy firms have been investigating ways of limiting liability in the face of rising litigation which first became a problem in the US market. The Big Six complain they face an unfair burden of damages stemming from legal actions because they can face all the damages in a claim even if they are only partly negligent.

Limited liability partnerships protect the personal assets of partners from legal action stemming from negligence by other partners. There were indications yesterday that middle-tier firms could be forced to follow the Big Six offshore.

One partner with a leading firm said: "We could be forced to go by our insurers."

EPMG, the Big Six firm which has already decided to limit the liability of its partners by creating a limited company for audit work, said yesterday it would stick to its plan.

### THE LEX COLUMN

## Milanese manoeuvres

Mediobanca's rise of avoiding confrontation at yesterday's Ferruzzi Finanziaria shareholders meeting by holding it on a bank holiday was only partially successful. Certainly, the Milanese merchant bank won the battle. But having tied up around 35 per cent of shares in Ferruzzi - the holding company of industrial group Montedison and insurer Fondiaria - Mediobanca's victory was never in any doubt. However, for the first time, a Mediocredito restructuring plan has attracted vocal opposition from Italian banks. And this increases the hope that Mediobanca's monopoly of Italian finance may finally be under threat from an alternative banking group built around the San Paolo di Torino and Cariplo banks, and investment banking group IMI.

Nonetheless, yesterday's approval of Ferruzzi's proposed L563bn (\$568m) capital increase is nothing to cheer about. The deal would be positive for shareholders if it were a means of ensuring an independent existence for Ferruzzi. It is not. Mediobanca has made clear that it still looks favourably on plans to merge Ferruzzi with the lamentably poorly managed Gemina. Since Mediobanca in effective control both companies, there is every risk that this Frankenstein-like conglomerate will come to life.

Moreover, San Paolo's so-called alternative banking galaxy has hardly come up trumps. San Paolo was the largest single shareholder in Ferruzzi, and thus well-placed to flex muscle. So having the last battle its latest expression of discontent is unlikely to strike fear into the hearts of senior Mediobanca executives.

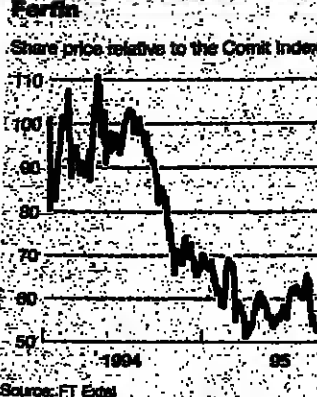
### Laporte

It has become almost de rigueur for a new chief executive to knock a poorly performing business into shape with a big reorganisation exercise. But it comes as a shock when the company is one as apparently solid and well-run as Laporte, the specialty chemicals group. That is why yesterday's \$26m restructuring, launched by Mr Jim Leng, chief executive, knocked 23 per cent off the shares.

After just two months in the job, Mr Leng has discovered that Laporte is not nearly as profitable as he and almost everyone else believed. Nearly \$14m or 11 per cent of last year's profits came from non-trading items, principally a pension credit and cash from unwinding a joint venture. These are expected to reduce to almost nothing

### FT-SE Eurotrack 200:

(1566.1 (-0.4))



over the next three years. Mr Leng has also decided that many of the group's businesses - spread over 90 odd sites - are too small, while central headquarters has become rather too large. As a result, he is setting aside \$50m to close plants and cut jobs, and another \$30m to write down assets in the hope of selling some of the weaker units. In addition, Laporte has been hit by de-stocking and falling chemical prices. There was not a whiff of that at September's interim, when Mr Leng's predecessor, Mr Ken Minton, forecast continued progress.

Mr Leng's actions should make Laporte a better business, though the full benefits will not materialise until 1997. Profits this year will come in 20 per cent below expectations with little improvement forecast for 1996. Investor confidence will be slow to recover.

### T&N

The heavy shadow of asbestos is starting to lift from T&N. Victory in its legal battle with Chase Manhattan signals the end of a slew of expensive property suits that have dogged the UK engineering group and former asbestos producer.

Some concerns remain - T&N still faces personal injury claims both in the UK and US. In Britain, the number of cases is small at present and payouts are running at around \$4m a year - insignificant for a group this size. The company is appealing against a recent court ruling which suggested it could be liable for exposing residents near its factories to harmful asbestos dust. In America, the number of claims is larger, but they have been capped by the Georgine settlement.

## Warning on Bosnia as talks begin

Continued from Page 1

in Bosnia cannot fail, that we cannot allow the nightmare of the past three years to return.

But the opening of the London conference was clouded by continuing squabbles over who should head the mission to Bosnia of the Organisation for Security and Co-operation in Europe, the 53-nation body which will supervise elections. Earlier yesterday the US and EU ended a two-day foreign ministers' meeting in Budapest without agreement on the post.

Mr Strobe Talbott, the US deputy secretary of state, strongly advocates the candidature of Mr Robert Frowick, a US Balkan expert, while Mr Hervé de Charrette, the French foreign minister, insists that a European should be in charge.

The OSCE will be responsible for organising elections, ensuring human rights compliance and overseeing arms control steps designed to ensure a low-level military balance between the former warring parties.

## Barings cover-up bid denied

Continued from Page 1

did not gain from his fraud, but Mr Morris said he could "not see a real distinction" between Mr Leeson's actions and theft. Both involved taking money from its rightful owner.

He regretted losses to holders of Barings' bonds, who were not repaid when ING Group, the Dutch bank, bought Barings' operations. "The fact that investors in the capital of Barings lost money is totally unacceptable to me," he said.

He said he accepted his share of responsibility for the collapse. "Nobody who has been part of an experience like this could be

capable of looking back on it without feeling that other things could have been done," he said. Mr Morris's actions, and those of other former Barings executives, are being examined by the Securities and Futures Authority, the UK regulatory body. This could lead to their being banned as directors of investment banks.

Mr Morris said a regulatory investigation was appropriate. "If what people are saying is that they would like to see a whole lot of others go through criminal proceedings, I think that is misconceived and inappropriate," he said.

The length of Mr Leeson's sentence surprised his lawyers.

## French strike 'concession'

Continued from Page 1

on to the streets of cities and towns. But, in addition to the total rail stoppage, other public services remained well below full strength.

Strikers caused severe disruption to Channel Tunnel rail services, blocking the toll gates for vehicles leaving France. Eurostar passenger services were also

halted. Almost a third of air flights in France were also cancelled.

Mr Juppé has scrapped the idea of creating a new off-budget pension fund for all central government employees, a plan to which the unions objected because they believed it would weaken government responsibility to meet any shortfall in financing civil servants' pensions.

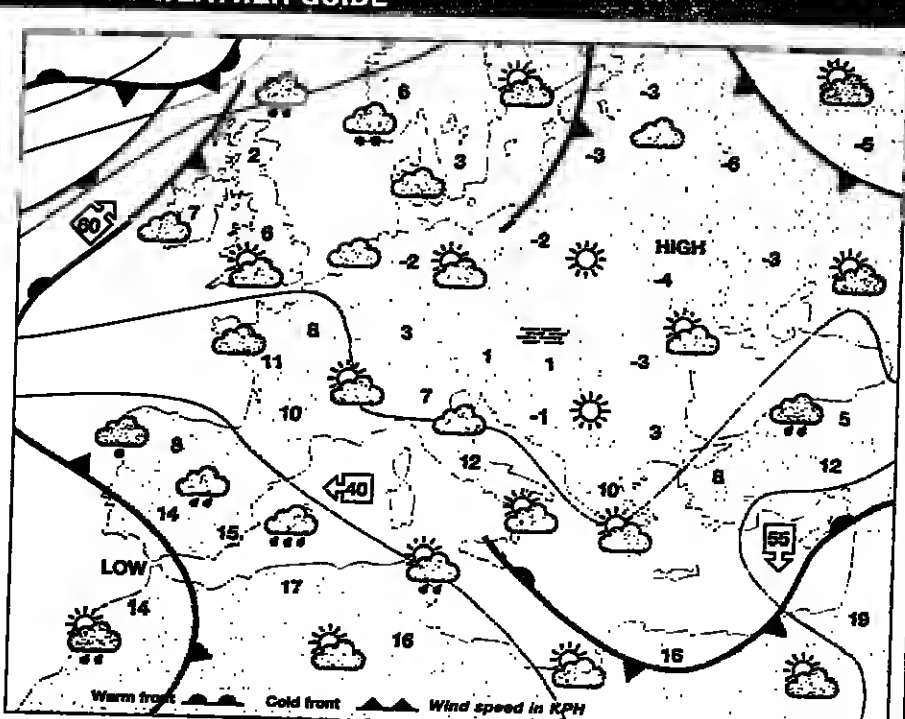
### Europe today

High pressure over the northern part of the continent will keep a series of low pressure systems over the Mediterranean. As a result, cloud and rain will occur in Spain, southern France and Italy and the islands. However, south-eastern Europe will become more settled and will be dry with sunny periods. Northern Turkey will have cloud and rain owing to a moist wind from the Black Sea. The Benelux and Germany will stay dry but will be cloudy. Afternoon temperatures will slightly decrease to about freezing. Eastern Europe will be rather sunny after morning fog which may persist in places. Patchy fog will also develop in parts of the UK and north-eastern France.

### Five-day forecast

High pressure will stay over the northern part of the continent, confining frontal zones with cloud and rain to southern Europe. The Benelux, northern France and Germany will be dry with sunny spells. Maximum temperatures will rise and will mainly be above freezing. The UK will also remain dry and will have sunny periods.

### FT WEATHER GUIDE



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

| TODAY'S TEMPERATURES |        |    |    |            |     |    |    |              |        |    |    |
|----------------------|--------|----|----|------------|-----|----|----|--------------|--------|----|----|
| Abu Dhabi            | sun    | 25 | 32 | Algiers    | sun | 16 | 21 | Amsterdam    | cloudy | 9  | 13 |
| Athens               | cloudy | 9  | 13 | Bahia      | sun | 22 | 28 | Bangkok      | sun    | 26 | 32 |
| Batavia              | sun    | 22 | 28 | Bombay     | sun | 22 | 28 | Buenos Aires | sun    | 22 | 28 |
| Buenos Aires         | sun    | 22 | 28 | Calcutta   | sun | 22 | 28 | Cairo        | sun    | 22 | 28 |
| Cairo                | sun    | 22 | 28 | Cardiff    | sun | 14 | 18 | Cape Town    | sun    | 14 | 18 |
| Cape Town            | sun    | 14 | 18 | Caracas    | sun | 7  | 11 | Chennai      | sun    | 22 | 28 |
| Chennai              | sun    | 22 | 28 | Cebu       | sun | 22 | 28 | Colombo      | sun    | 22 | 28 |
| Colombo              | sun    | 22 | 28 | Dakar      | sun | 22 | 28 | Dallas       | sun    | 22 | 28 |
| Dallas               | sun    | 22 | 28 | Delhi      | sun | 22 | 28 | Hong Kong    | sun    | 22 | 28 |
| Hong Kong            | sun    | 22 | 28 | Honolulu   | sun | 22 | 28 | Istanbul     | sun    | 22 | 28 |
| Istanbul             | sun    | 22 | 28 | Jakarta    | sun | 22 | 28 | Jersey       | sun    | 22 | 28 |
| Jersey               | sun    | 22 | 28 | Karachi    | sun | 22 | 28 | Kuala Lumpur | sun    | 22 | 28 |
| Kuala Lumpur         | sun    | 22 | 28 | Las Vegas  | sun | 22 | 28 | London       | sun    | 22 | 28 |
| London               | sun    | 22 | 28 | Luxembourg | sun | 22 | 28 | Lyon         | sun    | 22 | 28 |
| Lyon                 | sun    | 22 | 28 | Madrid     | sun | 22 | 28 | Moscow       | sun    | 22 | 28 |
| Moscow               | sun    | 22 | 28 | Mumbai     | sun | 22 | 28 | Nairobi      | sun    | 22 | 28 |
| Nairobi              | sun    | 22 | 28 | Naples     | sun | 22 | 28 | Nassau       | sun    | 22 | 28 |
| Nassau               | sun    | 22 | 28 | Nice       | sun | 22 | 28 | New York     | sun    | 22 | 28 |
| New York             | sun    | 22 | 28 | Nicosia    | sun | 22 | 28 | Oslo         | sun    | 22 | 28 |
| Oslo                 | sun    | 22 | 28 | Paris      | sun | 22 | 28 | Perth        | sun    | 22 | 28 |
| Perth                | sun    | 22 | 28 | Prague     | sun | 22 | 28 | Rangoon      | sun    | 22 | 28 |
| Rangoon              | sun    | 22 | 28 | Reykjavik  | sun | 22 | 28 | Rio          | sun    | 22 | 28 |
| Rio                  | sun    | 22 | 28 | Rome       | sun | 22 | 28 | S. Francisco | sun    | 22 | 28 |
| S. Francisco         | sun    | 22 | 28 | Singapore  | sun | 22 | 28 | Stockholm    | sun    | 22 | 28 |
| Stockholm            | sun    | 22 | 28 | Sydney     | sun | 22 | 28 | Taipei       | sun    | 22 | 28 |
| Taipei               | sun    | 22 | 28 | Tokyo      | sun | 22 | 28 | Toronto      | sun    | 22 | 28 |
| Toronto              | sun    | 22 | 28 | Vancouver  | sun | 22 | 28 | Venice       | sun    | 22 | 28 |
| Venice               | sun    | 22 | 28 | Vienna     | sun | 22 | 28 | Washington   | sun    | 22 | 28 |
| Washington           | sun    | 22 | 28 | Wellington | sun | 22 | 28 | Winnipeg     | sun    | 22 | 28 |
| Winnipeg             | sun    | 22 | 28 | Zurich     | sun | 22 | 28 |              |        |    |    |

The airline for people who fly to work.

**Lufthansa**

## Barbican Cinemas

Silk Street EC2 • Barbican Moorgate CINEMA HOTLINE 0171 382 7000



### GOLDENEYE

'Pierce Brosnan is the best James Bond since Connery... the best adventure for many a year'

FREE TERRY'S ALL GOLD TRUFFLE WITH EVERY TICKET

John McLusky THE FACE OF JAMES BOND

SPECIAL CATERING PACKAGES

### IN THE BLEAK MIDWINTER

Directed by Kenneth Branagh featuring Michael Maloney, Richard Briers and John Sessions 'Irresistible... a palpable hit'



### BABE

### POCAHONTAS

Two enchanting children's films for the school holidays  
CALL THE CINEMA HOTLINE 0171 382 7000 for programme times, free leaflet and booking